

AEP East Companies  
Transmission Cost of Service Formula Rate  
Utilizing Actual/Projected FERC Form 1 Data

Twelve Months Ended 2020

KENTUCKY POWER COMPANY

| Line No. |  |                             | Total     | Allocator |         | Transmission Amount |
|----------|--|-----------------------------|-----------|-----------|---------|---------------------|
| 1        | REVENUE REQUIREMENT (w/o incentives)           | (ln 130)                    |           |           |         | \$63,275,567        |
| 2        | REVENUE CREDITS                                | (Worksheet E Ln 8) (Note A) | 1,273,954 | DA        | 1.00000 | \$ 1,273,954        |
| 3        | Facility Credits under PJM OATT Section 30.9   | (Worksheet E Ln 9) (Note X) |           |           |         | \$ -                |
| 4        | REVENUE REQUIREMENT For All Company Facilities | (ln 1 less ln 2 plus ln 3)  |           |           |         | \$ 62,001,613       |

MEMO: The Carrying Charge Calculations on lines 7 to 12 below are used in calculating project revenue requirements billed through PJM Schedule 12, Transmission Enhancement Charges. The total non-incentive revenue requirements for these projects shown on line 5 is included in the total on line 4.

|    |   |   |   |    |         |           |
|----|---|---|---|----|---------|-----------|
| 5  | Revenue Requirement for PJM Schedule 12 Facilities (w/o incentives) (Worksheet J/K)       |   | - | DA | 1.00000 | \$ -      |
| 6  | NET PLANT CARRYING CHARGE w/o intra-AEP charges or credits or ROE incentives (Note B)     |   |   |    |         |           |
| 7  | Annual Rate   | ( (ln 1 - ln 95) / ((ln 42) x 100) )                            |   |    |         | 15.08%    |
| 8  | Monthly Rate  | (ln 7 / 12)   |   |    |         | 1.26%     |
| 9  | NET PLANT CARRYING CHARGE ON LINE 7 , w/o depreciation or ROE incentives (Note B)         |   |   |    |         |           |
| 10 | Annual Rate   | ( (ln 1 - ln 95 - ln 100) / ((ln 42) x 100) )                   |   |    |         | 11.07%    |
| 11 | NET PLANT CARRYING CHARGE ON LINE 10, w/o Return, income taxes or ROE incentives (Note B) |   |   |    |         |           |
| 12 | Annual Rate   | ( (ln 1 - ln 95 - ln 100 - ln 125 - ln 126) / ((ln 42) x 100) ) |   |    |         | 3.85%     |
| 13 | ADDITIONAL REVENUE REQUIREMENT for projects w/ incentive ROE's (Note B) (Worksheet J/K)   |   |   |    |         |           |
| 14 | <b>REVENUE REQUIREMENT FOR SCHEDULE 1A CHARGES</b>  |   |   |    |         |           |
| 15 | Total Load Dispatch & Scheduling (Account 561)  | Line 75 Below   |   |    |         | 2,696,000 |
| 16 | Less: Load Dispatch - Scheduling, System Control and Dispatch Services (321.88.b)         |   |   |    |         | 1,233,000 |
| 17 | Less: Load Dispatch - Reliability, Planning & Standards Development Services (321.92.b)   |   |   |    |         | 348,000   |
| 18 | Total 561 Internally Developed Costs  | (Line 15 - Line 16 - Line 17)                                   |   |    |         | 1,115,000 |

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| Line No. | (1)<br><u>RATE BASE CALCULATION</u>            | (2)<br><u>Data Sources</u><br><u>(See "General Notes")</u> | (3)<br><u>TO Total</u><br><u>NOTE C</u> | (4)<br><u>Allocator</u> | (5)<br><u>Total</u><br><u>Transmission</u> |
|----------|--|--|---|-------------------------|--|
| 19       | GROSS PLANT IN SERVICE                         |  |   |                         |  |
| 19       | Production                                     | (Worksheet A In 14.(b))                                    | 1,220,200,000                           | NA                      | 0.00000                                    |
| 20       | Less: Production ARO (Enter Negative)          | (Worksheet A In 14.(c))                                    | (11,646,000)                            | NA                      | 0.00000                                    |
| 21       | Transmission                                   | (Worksheet A In 14.(d) & TCOS Ln 134)                      | 653,453,000                             | DA                      | 643,255,000                                |
| 22       | Less: Transmission ARO (Enter Negative)        | (Worksheet A In 14.(e))                                    | -                                       | TP                      | 0.98439                                    |
| 23       | Distribution                                   | (Worksheet A In 14.(f))                                    | 927,176,000                             | NA                      | 0.00000                                    |
| 24       | Less: Distribution ARO (Enter Negative)        | (Worksheet A In 14.(g))                                    | -                                       | NA                      | 0.00000                                    |
| 25       | General Plant                                  | (Worksheet A In 14.(h))                                    | 55,198,000                              | W/S                     | 0.07933                                    |
| 26       | Less: General Plant ARO (Enter Negative)       | (Worksheet A In 14.(i))                                    | -                                       | W/S                     | 0.07933                                    |
| 27       | Intangible Plant                               | (Worksheet A In 14.(j))                                    | 53,306,000                              | W/S                     | 0.07933                                    |
| 28       | TOTAL GROSS PLANT                              | (sum Ins 19 to 27)   | 2,897,687,000                           | GP                      | 0.224960                                   |
|          |  |  |   | GTD=                    | 0.40696                                    |
| 29       | ACCUMULATED DEPRECIATION AND AMORTIZATION      |  |   |                         |  |
| 30       | Production                                     | (Worksheet A In 28.(b))                                    | 497,940,000                             | NA                      | 0.00000                                    |
| 31       | Less: Production ARO (Enter Negative)          | (Worksheet A In 28.(c))                                    | (5,408,000)                             | NA                      | 0.00000                                    |
| 32       | Transmission                                   | (Worksheet A In 28.(d) & In 43.(c))                        | 229,748,000                             | TP1=                    | 0.97377                                    |
| 33       | Less: Transmission ARO (Enter Negative)        | (Worksheet A In 28.(e))                                    | -                                       | TP1=                    | 0.97377                                    |
| 34       | Distribution                                   | (Worksheet A In 28.(f))                                    | 276,641,000                             | NA                      | 0.00000                                    |
| 35       | Less: Distribution ARO (Enter Negative)        | (Worksheet A In 28.(g))                                    | -                                       | NA                      | 0.00000                                    |
| 36       | General Plant                                  | (Worksheet A In 28.(h))                                    | 19,486,000                              | W/S                     | 0.07933                                    |
| 37       | Less: General Plant ARO (Enter Negative)       | (Worksheet A In 28.(i))                                    | -                                       | W/S                     | 0.07933                                    |
| 38       | Intangible Plant                               | (Worksheet A In 28.(j))                                    | 21,840,000                              | W/S                     | 0.07933                                    |
| 39       | TOTAL ACCUMULATED DEPRECIATION                 | (sum Ins 30 to 38)   | 1,040,247,000                           |                         | 227,000,311                                |
| 40       | NET PLANT IN SERVICE                           |  |   |                         |  |
| 41       | Production                                     | (In 19 + In 20 - In 30 - In 31)                            | 716,022,000                             |                         | -  |
| 42       | Transmission                                   | (In 21 + In 22 - In 32 - In 33)                            | 423,705,000                             |                         | 419,533,000                                |
| 43       | Distribution                                   | (In 23 + In 24 - In 34 - In 35)                            | 650,535,000                             |                         | -  |
| 44       | General Plant                                  | (In 25 + In 26 - In 36 - In 37)                            | 35,712,000                              |                         | 2,832,963                                  |
| 45       | Intangible Plant                               | (In 27 - In 38)  | 31,466,000                              |                         | 2,496,136                                  |
| 46       | TOTAL NET PLANT IN SERVICE                     | (sum Ins 41 to 45)   | 1,857,440,000                           | NP                      | 0.228735                                   |
| 47       | DEFERRED TAX ADJUSTMENTS TO RATE BASE          | (Note D)   |   |                         |  |
| 48       | Account No. 281.1 (enter negative)             | (Worksheet B, In 2 & In 5.E)                               | (55,454,377)                            | NA                      | -  |
| 49       | Account No. 282.1 (enter negative)             | (Worksheet B, In 7 & In 10.E)                              | (277,117,675)                           | DA                      | (92,887,294)                               |
| 50       | Account No. 283.1 (enter negative)             | (Worksheet B, In 12 & In 15.E)                             | (203,958,270)                           | DA                      | 605,333                                    |
| 51       | Account No. 190.1                              | (Worksheet B, In 17 & In 20.E)                             | 91,584,023                              | DA                      | 4,114,310                                  |
| 52       | Account No. 255 (enter negative)               | (Worksheet B, In 24 & In 25.E)                             | -                                       | DA                      | -  |
| 53       | TOTAL ADJUSTMENTS                              | (sum Ins 48 to 52)   | (444,946,298)                           |                         | (88,167,650)                               |
| 54       | PLANT HELD FOR FUTURE USE                      | (Worksheet A In 44.(e) & In 45.(e))                        | 6,232,000                               | DA                      | -  |
| 55       | REGULATORY ASSETS                              | (Worksheet A In 51.(e))                                    | -                                       | DA                      | -  |
| 56       | UNFUNDED RESERVES (ENTER NEGATIVE) (NOTE Y)    | (Worksheet A In 54.(e))                                    | (127,000)                               | W/S                     | 0.07933                                    |
| 57       | WORKING CAPITAL                                | (Note E)   |   |                         |  |
| 58       | Cash Working Capital                           | (1/8 * In 78)  | 935,625                                 |                         | 921,023                                    |
| 59       | Transmission Materials & Supplies              | (Worksheet C, In 2.(F))                                    | 17,000                                  | TP                      | 0.98439                                    |
| 60       | A&G Materials & Supplies                       | (Worksheet C, In 3.(F))                                    | 16,000                                  | W/S                     | 0.07933                                    |
| 61       | Stores Expense                                 | (Worksheet C, In 4.(F))                                    | -                                       | GP                      | 0.22496                                    |
| 62       | Prepayments (Account 165) - Labor Allocated    | (Worksheet C, In 8.G)                                      | 115,368,357                             | W/S                     | 0.07933                                    |
| 63       | Prepayments (Account 165) - Gross Plant        | (Worksheet C, In 8.F)                                      | 1,624,289                               | GP                      | 0.22496                                    |
| 64       | Prepayments (Account 165) - Transmission Only  | (Worksheet C, In 8.E)                                      | -                                       | DA                      | 1.00000                                    |
| 65       | Prepayments (Account 165) - Unallocable        | (Worksheet C, In 8.D)                                      | (113,220,647)                           | NA                      | 0.00000                                    |
| 66       | TOTAL WORKING CAPITAL                          | (sum Ins 58 to 65)   | 4,740,624                               |                         | 10,456,373                                 |
| 67       | IPP CONTRIBUTIONS FOR CONSTRUCTION             | (Note F) (Worksheet D, In 8.B)                             | (315,571)                               | DA                      | 1.00000                                    |
| 68       | RATE BASE (sum Ins 46, 53, 54, 55, 56, 66, 67) |  | 1,423,023,755                           |                         | 346,825,177                                |

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|      | (1)  | (2)                                    | (3)          | (4)       | (5)                   |
|------|--|--|--------------|-----------|-----------------------|
| Line | EXPENSE, TAXES, RETURN & REVENUE<br>REQUIREMENTS CALCULATION                                 | Data Sources<br>(See "General Notes")  | TO Total     | Allocator | Total<br>Transmission |
| No.  | OPERATION & MAINTENANCE EXPENSE  |  |              |           |                       |
| 69   | Production   | 321.80.b                               | 293,854,000  |           |                       |
| 70   | Distribution   | 322.156.b                              | 39,812,000   |           |                       |
| 71   | Customer Related Expense   | 322 & 323.164,171,178.b                | 6,777,000    |           |                       |
| 72   | Regional Marketing Expenses  | 322.131.b                              | 1,207,000    |           |                       |
| 73   | Transmission   | 321.112.b                              | 45,345,000   |           |                       |
| 74   | TOTAL O&M EXPENSES   | (sum Ins 69 to 73)                     | 386,995,000  |           |                       |
| 75   | Less: Total Account 561  | (Note G) (Worksheet F, In 14.C)        | 2,696,000    |           |                       |
| 76   | Less: Account 565  | (Note H) 321.96.b                      | 50,723,000   |           |                       |
| 77   | Less: Regulatory Deferrals & Amortizations   | (Note I) (Worksheet F, In 4.C)         | (15,559,000) |           |                       |
| 78   | Total O&M Allocable to Transmission  | (Ins 73 - 75 - 76 - 77)                | 7,485,000    | TP        | 0.98439               |
| 79   | Administrative and General   | 323.197.b (Notes J and M)              | 22,604,000   |           |                       |
| 80   | Less: Acct. 924, Property Insurance  | 323.185.b                              | 948,000      |           |                       |
| 81   | Acct. 9260039 PBOP Expense   | PBOP Worksheet O Line 9 & 10, (Note K) | (3,524,096)  |           |                       |
| 82   | Acct. 9260057 PBOP Medicare Subsidy  | PBOP Worksheet O Line 11, (Note K)     | -            |           |                       |
| 83   | PBOP Expense Billed From AEPSC   | PBOP Worksheet O Line 13, (Note K)     | (1,251,834)  |           |                       |
| 84   | Acct. 928, Reg. Com. Exp.  | 323.189.b                              | -            |           |                       |
| 85   | Acct. 930.1, Gen. Advert. Exp.   | 323.191.b                              | 115,000      |           |                       |
| 86   | Acct. 930.2, Misc. Gen. Exp.   | 323.192.b                              | 447,000      |           |                       |
| 87   | Balance of A & G   | (In 79 - sum In 80 to In 86)           | 25,869,930   | W/S       | 0.07933               |
| 88   | Plus: Acct. 924, Property Insurance  | (In 80)                                | 948,000      | GP        | 0.22496               |
| 89   | Acct. 928 - Transmission Specific  | Worksheet F In 20.(E) (Note L)         | -            | TP        | 0.98439               |
| 90   | Acct 930.1 - Only safety related ads -Direct   | Worksheet F In 37.(E) (Note L)         | -            | TP        | 0.98439               |
| 91   | Acct 930.2 - Misc Gen. Exp. - Trans  | Worksheet F In 43.(E) (Note L)         | 36,968       | DA        | 1.00000               |
| 92   | Settlement Approved PBOP Recovery  | PBOP Worksheet O, Col. C (Note M)      | (10,520,253) | W/S       | 0.07933               |
| 93   | A & G Subtotal   | (sum Ins 87 to 92)                     | 16,334,645   |           |                       |
| 94   | O & M EXPENSE SUBTOTAL   | (In 78 + In 93)                        | 23,819,645   |           | 8,836,076             |
| 95   | Plus: Transmission Lease Payments To Affiliates in Acct 565 (Company Records)                | (Note H)                               | -            | DA        | 1.00000               |
| 96   | TOTAL O & M EXPENSE  | (In 94 + In 95)                        | 23,819,645   |           | 8,836,076             |
| 97   | DEPRECIATION AND AMORTIZATION EXPENSE  |  |              |           |                       |
| 98   | Production   | 336.2-6.f                              | 37,032,000   | NA        | 0.00000               |
| 99   | Distribution   | 336.8.f                                | 32,495,000   | NA        | 0.00000               |
| 100  | Transmission   | 336.7.f                                | 17,285,000   | TP1       | 0.97377               |
| 101  | General  | 336.10.f                               | 2,443,000    | W/S       | 0.07933               |
| 102  | Intangible   | 336.1.f                                | 8,335,000    | W/S       | 0.07933               |
| 103  | TOTAL DEPRECIATION AND AMORTIZATION  | (Ln 98+99+100+101+102)<br>(Note N)     | 97,590,000   |           | 17,686,634            |
| 104  | TAXES OTHER THAN INCOME  |  |              |           |                       |
| 105  | Labor Related  |  |              |           |                       |
| 106  | Payroll  | Worksheet H In 24.(D)                  | 2,601,929    | W/S       | 0.07933               |
| 107  | Plant Related  |  |              |           |                       |
| 108  | Property   | Worksheet H-1 In 3.(C) & 3.(G)         | 19,369,900   | DA        | 5,740,289             |
| 109  | Gross Receipts/Sales & Use   | Worksheet H In 24.(F)                  | 6,373,200    | NA        | 0.00000               |
| 110  | Other  | Worksheet H In 24.(E)                  | 2,162,400    | GP        | 0.22496               |
| 111  | TOTAL OTHER TAXES  | (sum Ins 106 to 110)                   | 30,507,429   |           | 6,433,147             |
| 112  | INCOME TAXES   | (Note O)                               |              |           |                       |
| 113  | $T=1 - \{(1 - SIT) * (1 - FIT)\} / (1 - SIT * FIT * p) =$                                    |  | 25.81%       |           |                       |
| 114  | $EIT=(T/(1-T)) * (1-(WCLTD/WACC)) =$   |  | 23.08%       |           |                       |
| 115  | where WCLTD=(In 154) and WACC = (In 157)   |  |              |           |                       |
| 116  | and FIT, SIT & p are as given in Note O.   |  |              |           |                       |
| 117  | $GRCF=1 / (1 - T) =$ (from In 113)   |  | 1.3479       |           |                       |
| 118  | Amortized Investment Tax Credit (enter negative)   | (FF1 p.114, In 19.c)                   | -            |           |                       |
| 119  | Excess Deferred Income Tax   | (Note U)                               | (8,949,901)  | DA        | (1,277,834)           |
| 120  | Tax Effect of Permanent and Flow-Through Differences   | (Note U)                               | 1,689,086    | DA        | 1,182,069             |
| 121  | Income Tax Calculation   | (In 114 * In 126)                      | 23,414,115   |           | 5,706,584             |
| 122  | ITC adjustment   | (In 117 * In 118)                      | -            | GP        | 0.22496               |
| 123  | Excess Deferred Income Tax   | (In 117 * In 119)                      | (12,063,666) |           | (1,722,406)           |
| 124  | Tax Effect of Permanent and Flow-Through Differences   | (In 117 * In 120)                      | 2,276,737    |           | 1,593,323             |
| 125  | TOTAL INCOME TAXES   | (sum Ins 121 to 124)                   | 13,627,186   |           | 5,577,501             |
| 126  | RETURN ON RATE BASE (Rate Base*WACC)   | (In 68 * In 157)                       | 101,458,145  |           | 24,727,794            |
| 127  | INTEREST ON IPP CONTRIBUTION FOR CONST. (Note F) (Worksheet D, In 2.(B))                     |  | 14,414       | DA        | 1.00000               |
| 128  | (Gains) / Losses on Sales of Plant Held for Future Use (Worksheet N, In 4, Cols. ((F) & (H)) |  | -            |           | -                     |
| 129  | Tax Impact on Net Loss / (Gain) on Sales of Plant Held for Future Use (In 128 * In 114)      |  | -            |           | -                     |
| 130  | TOTAL REVENUE REQUIREMENT<br>(sum Ins 96, 103, 111, 125, 126, 127, 128, 129)                 |  | 267,016,819  |           | 63,275,567            |

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SUPPORTING CALCULATIONS

|        |   |                                     |                |                                       |            |               |              |                |
|--------|---|-------------------------------------|----------------|---------------------------------------|------------|---------------|--------------|----------------|
| In No. | TRANSMISSION PLANT INCLUDED IN PJM TARIFF   |                                     |                |                                       |            |               |              |                |
| 131    | Total transmission plant  | (In 21)                             |                |                                       |            |               |              | 653,453,000    |
| 132    | Less transmission plant excluded from PJM Tariff (Worksheet A, In 42, Col. (d)) (Note P)            |                                     |                |                                       |            |               |              | -              |
| 133    | Less transmission plant included in OATT Ancillary Services (Worksheet A, In 42, Col. (b)) (Note Q) |                                     |                |                                       |            |               |              | 10,198,000     |
| 134    | Transmission plant included in PJM Tariff   | (In 131 - In 132 - In 133)          |                |                                       |            |               |              | 643,255,000    |
| 135    | Percent of transmission plant in PJM Tariff   | (In 134 / In 131)                   |                |                                       |            |               | <b>TP=</b>   | <b>0.98439</b> |
| 136    | WAGES & SALARY ALLOCATOR (W/S)  | (Note R)                            |                |                                       |            |               |              |                |
| 137    | Production  | 354.20.b                            | Direct Payroll | Payroll Billed from AEP Service Corp. | Total      |               |              |                |
| 138    | Transmission  | 354.21.b                            | 14,332,438     | 8,172,132                             | 22,504,570 | NA            | 0.00000      | -              |
| 139    | Regional Market Expenses  | 354.22.b                            | 78,603         | 2,990,314                             | 3,068,917  | TP            | 0.98439      | 3,021,022      |
| 140    | Distribution  | 354.23.b                            | 0              | 0                                     | -          | NA            | 0.00000      | -              |
| 141    | Other (Excludes A&G)  | 354.24,25,26.b                      | 7,952,652      | 1,082,874                             | 9,035,526  | NA            | 0.00000      | -              |
| 142    | Total   | (sum Ins 137 to 141)                | 24,117,757     | 13,964,895                            | 38,082,652 | NA            | 0.00000      | -              |
| 143    | Transmission related amount   |                                     |                |                                       |            |               | <b>W/S=</b>  | <b>0.07933</b> |
| 144    | WEIGHTED AVERAGE COST OF CAPITAL (WACC)   |                                     |                |                                       |            |               |              | \$             |
| 145    | Long Term Interest  | (Worksheet M, In. 37, col. (d))     |                |                                       |            |               |              | 42,536,000     |
| 146    | Preferred Dividends   | (Worksheet M, In. 71)               |                |                                       |            |               |              | -              |
| 147    | Development of Common Stock:  |                                     |                |                                       |            |               |              |                |
| 148    | Proprietary Capital   | (Worksheet M, In. 14, col. (b))     |                |                                       |            |               |              | 809,552,000    |
| 149    | Less: Preferred Stock   | (Worksheet M, In. 14, col. (c))     |                |                                       |            |               |              | -              |
| 150    | Less: Account 216.1   | (Worksheet M, In. 14, col. (d))     |                |                                       |            |               |              | -              |
| 151    | Less: Account 219   | (Worksheet M, In. 14, col. (e))     |                |                                       |            |               |              | (145,000)      |
| 152    | Common Stock  | (In 148 - In 149 - In 150 - In 151) |                |                                       |            |               |              | 809,697,000    |
| 153    |   |                                     |                |                                       |            |               |              |                |
| 154    | Long Term Debt (Note T) Worksheet M, In 28, col. (g), In 38, col. (d)                               |                                     | \$             | %                                     | Cap Limit  | Cost (Note S) |              | Weighted       |
| 155    | Preferred Stock (In 149)  |                                     | 962,307,692    | 54.31%                                | 54.31%     | 4.42%         |              | 0.0240         |
| 156    | Common Stock (In 152)   |                                     | -              | 0.00%                                 | 0.00%      | -             |              | 0.0000         |
| 157    | Total (Sum Ins 154 to 156)  |                                     | 809,697,000    | 45.69%                                | 45.69%     | 10.35%        |              | 0.0473         |
|        |   |                                     | 1,772,004,692  |                                       |            |               | <b>WACC=</b> | <b>0.0713</b>  |
| 158    | Capital Structure Equity Limit (Note Z)   | 55%                                 |                |                                       |            |               |              |                |

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**Letter**

**Notes**

General Notes: a) References to data from Worksheets are indicated as: Worksheet X, Line#.Column.X

- A Revenue credits include:  
1) Forfeited Discounts.  
2) Miscellaneous Service Revenues.  
3) Rental revenues earned on assets included in the rate base.  
4) Revenues for associated business projects provided by employees whose labor and overhead costs are in the transmission cost of service.  
5) Other electric revenues.  
6) Revenues for grandfathered PTP contracts included in the load divisor.  
7) If AEP East companies have any directly assigned transmission facilities, the revenue credits in the AEP East formula rate shall include all revenues associated with those directly assigned transmission facilities, irrespective of whether the loads of the customer are included in the formula rate divisor; provided however, such addition to revenue credits shall not be reflected if the costs of such directly assigned transmission facilities are not included in the transmission plant balances on which the formula rate ATRR is based.  
See Worksheet E for details.
- B The annual and monthly net plant carrying charges on page 1 are used to compute the revenue requirement for RTEP sponsored upgrades or those projects receiving approved incentive-ROE's. Interest will be calculated based on Worksheet Q and any over under recovery will be filed and posted as part of the informational filing.
- C Transmission Plant Balances in this study are projected or actual average of 13-month balances.
- D The total-company balances shown for Accounts 281, 282, 283, 190 only reflect ADIT that relates to utility operations. The balance of Account 255 is reduced by prior flowthrough and is completely excluded if the utility chose to utilize amortization of tax credits against FIT expense. An exception to this is pre-1971 ITC balances, which are required to be taken as an offset to rate base. Account 281 is not allocated. In compliance with FERC Rulemaking the calculation of ADIT in the annual projection will be performed in accordance with IRS regulation Section 1.167(l)-(h)(6)(ii). RM02-7-000, Asset Retirement Obligation deferrals have been removed from ratebase. Transmission ADIT allocations are shown on WS B. The company will not include the ADIT portion of deferred hedge gains and losses in rate base. Detailed balances for the projected or actual period, distinguished between utility and non-utility balances, will be filed and posted as part of the information filing.
- E Cash Working Capital assigned to transmission is one-eighth of O&M allocated to transmission, as shown on line 78. It excludes:  
1) Load Scheduling & Dispatch Charges in account 561 that are collected in the OATT Ancillary Services Revenue, as shown on line 75.  
2) Costs of Transmission of Electricity by Others, as described in Note H.  
3) The impact of state regulatory deferrals and amortizations, as shown on line 77  
4) All A&G Expenses, as shown on line 93.
- F Consistent with Paragraph 657 of Order 2003-A, the amount on line 67 is equal to the balance of IPP System Upgrade Credits owed to transmission customers that made contributions toward the construction of System upgrades, and includes accrued interest and unreturned balance of contributions. The annual interest expense is included on line 127.
- G Removes from the cost of service the Load Scheduling and Dispatch expenses booked to accounts 561.1 through 561.8. Expenses recorded in these accounts, with the exception of 561.4 & 561.8 (lines 16 & 17 above) are recovered in Schedule 1A, OATT ancillary services rates. See Worksheet F, lines 5 through 14, for descriptions and the Form 1 Source of these accounts' balances.
- H Removes cost of transmission service provided by others to determine the basis of cash working capital on line 78. To the extent such service is incurred to provide the PJM service at issue, e.g. lease payments to affiliates, such cost is added back on line 95 to determine the total O&M collected in the formula. The amounts on line 95 is also excluded in the calculation of the FCR percentage calculated on lines 6 through 12. The addbacks on line 95 of activity recorded in 565 represents inter-company sales or purchases of transmission capacity necessary to meet each AEP company's transmission load relative to their available transmission capacity. The company records referenced on line 95 is the KENTUCKY POWER COMPANY general ledger.
- I Removes the impact of state regulatory deferrals or their amortization from Transmission O&M expense.
- J General Plant and Administrative & General expenses, other than in accounts 924, 928, and 930, will be functionalized based on the Wages & Salaries "W/S" allocator. The allocation basis for accounts 924, 928 and 930 are separately presented in the formula. A change in the allocation method for an account must be approved via a 205 filing with the FERC.
- K These deductions on lines 81 through 83 are to remove from the cost of service the expenses recorded by the company for Postemployment Benefits Other than Pensions (PBOP). See Note M below for the recoverable PBOP expense.
- L Expenses recorded in FERC Accounts 928 (Regulatory Commission Expense), 930.1 (Safety Related Advertising) and 930.2 (Miscellaneous General Expenses) that are not directly related to or properly allocable to transmission service will be removed from the TCOS. If AEP includes any expenses booked to these accounts in future ATRR updates, AEP must provide supporting information demonstrating that the underlying activities are directly related to providing transmission service. Account 930.2 includes the expenses incurred by the transmission function for Associated Business Development revenues given as a credit to the TCOS on Worksheet E.
- M See note K above. Per the settlement in Docket ER08-1329, recoverable PBOP expense is based on an annual total for the operating companies that is ratioed to them based on the total of actual annual PBOP costs, including charges from the AEP Service Corporation. The calculation of the recoverable amount for each company is shown on Worksheet O.
- N Includes only FICA, unemployment, highway, property and other assessments charged in the current year. Gross receipts, sales & use and taxes related to income are excluded.
- O The currently effective income tax rate, where FIT is the Federal income tax rate, SIT is the State income tax rate, and p = the percentage of federal income tax deductible for state income taxes. See Worksheet G for the development of the Company's composite SIT. A utility that elected to utilize amortization of tax credits against taxable income, rather than book tax credits to Account No. 255 and reduce rate base, must reduce its income tax expense by the amount of the Amortized Investment Tax Credit (Form 1, 266.8.f) (In 118) multiplied by (1/1-T). If the applicable tax rates are zero enter 0.  
Inputs Required: FIT = 21.00%  
SIT = 6.09% (State Income Tax Rate or Composite SIT, Worksheet G)  
p = 0.00% (percent of federal income tax deductible for state purposes)  
The formula rate shall reflect the applicable state and federal statutory tax rates in effect during the period the calculated estimated unit charges are applicable. If the statutory tax rates change during such period, the effective tax rates used in the formula shall be weighted by the number of days the pre-change rate and post-change rate each is in effect.
- P Removes plant excluded from the OATT because it does not meet the PJM's definition of Transmission Facilities or is otherwise ineligible to be recovered under the OATT.
- Q Removes transmission plant (e.g. step-up transformers) included in the development of OATT ancillary service rates and not already removed for reasons indicated in Note P.
- R Includes functional wages & salaries billed by AEP Service Corporation for support of the operating company.
- S Long Term Debt cost rate = Long-Term Interest (In 145) / Long-Term Debt (In 154). Preferred Stock cost rate = preferred dividends (In 146) / preferred outstanding (In 155). Common Stock cost rate (ROE) = 10.35%, the rate accepted by FERC in Docket No. ER08-1329. It includes an additional 50 basis points for PJM RTO Membership. The amount of eligible hedging gains or losses included in total interest expense is limited to five basis points of the capital structure. Details and calculations of the weighted average cost of capital are shown on Worksheet M. Eligible Hedging Gains and Losses are computed on Worksheet M. The unamortized balance of eligible hedge gains/losses and related ADIT amounts shall not flow through the formula rate.
- T The Long Term Debt balance for I&M includes the accumulated balance of principle and related interest for Spent Nuclear Fuel Disposal Costs collected prior to April 7, 1983. This total balance of \$265,249,280 at 12/31/12 is not included in the balance in line 154 above. The cost rates for long-term debt shall include interest expense and related periodic expenses (such as remarketing and letter of credit fees) as recorded in FERC Account 427 or 430, amortization of issuance costs (including insurance) and discounts as recorded in FERC Account 428, issuance premiums as recorded in FERC Account 429 and losses or gains on reacquired debt as recorded in FERC Accounts 428.1 or 429.1, respectively. The cost rates for preferred stock (if applicable) shall include the dividends.
- U Excess / (Deficit) Deferred Income Taxes will be amortized over the average remaining life of the assets to which it relates, unless the Commission requires a different amortization period. The Tax Effect of Permanent Differences captures the differences in the income taxes due under the Federal and State tax calculations that are not the result of a timing difference, including but not limited to depreciation related to capitalized AFUDC equity and meals and entertainment deductions. The Tax Effect of Flow-Through differences captures current tax expense related to timing differences on items for which tax deductions were used to reduce customer rates through the use of flow-through accounting in a prior period. Transmission balances for the projected or actual period, will be filed and posted as part of the informational filing.
- V Cash investment in prepaid pension and benefits recorded in FERC Account 165 is permitted to be included in the formula. A labor expense allocation factor will be used to allocate total company costs. All other prepayments recorded in FERC Account 165 are directly assigned to the transmission function, allocated or excludable balances detailed on Worksheet C.
- W The formula rate shall allocate property tax expense based on the as filed net plant cost allocation method detailed on Worksheet H.
- X Under Section 30.9 of the PJM OATT, a network customer that owns existing transmission facilities that are integrated with the Transmission Provider's Transmission System may be eligible to receive consideration either through a billing credit or some other mechanism. Calculation of any credit under this subsection, pursuant to approval by FERC for inclusion in this formula rate for collection on behalf of the network customer, shall be addressed in either the Network Customer's Service Agreement or any other agreement between the parties.
- Y The cost of service will make a rate base adjustment to remove unfunded reserves associated with contingent liabilities recorded to Accounts 228.1-228.4 from rate base.
- Z Per the settlement in EL17-13, equity is limited to 55% in of the Company's capital structure. If the percentage of actual equity exceeds the cap, the excess is included as long term debt in the capital structure.

AEP East Companies  
 Cost of Service Formula Rate Using Actual/Projected FF1 Balances  
 Worksheet A Rate Base  
 KENTUCKY POWER COMPANY

|         |                                    | Gross Plant In Service                          |                    |   |                      |   |                      |   |                 |   |  |
|---------|------------------------------------|---|--------------------|---|----------------------|---|----------------------|---|-----------------|---|--|
| Line No | Month (a)                          | Production (b)                                  | Production ARO (c) | Transmission (d)                                | Transmission ARO (e) | Distribution (f)                                | Distribution ARO (g) | General (h)   | General ARO (i) | Intangible (j)  |  |
|         |                                    | FF1, page 205 Col.(g) & pg. 204 Col. (b), In 46 |                    | FF1, page 205&204, Col.(g)&(b), Ins 15,24,34,44 |                      | FF1, page 207 Col.(g) & pg. 206 Col. (b), In 58 |                      | Acct. 359.1 FF1, page 207 Col.(g) & pg. 206 Col. (b), In 57 |                 | Acct. 399.1 FF1, page 207 Col.(g) & pg. 206 Col. (b), In 75 |  |
|         | (Note A)                           |   |                    |   |                      |   |                      |   |                 |   |  |
| 1       | December Prior to Rate Year        | 1,217,959,000                                   | 11,646,000         | 642,083,000                                     |                      | 913,770,000                                     |                      | 53,285,000  |                 | 42,511,000  |  |
| 2       | January                            | 1,217,815,000                                   | 11,646,000         | 643,266,000                                     |                      | 911,897,000                                     |                      | 53,464,000  |                 | 50,852,000  |  |
| 3       | February                           | 1,217,591,000                                   | 11,646,000         | 644,189,000                                     |                      | 915,166,000                                     |                      | 53,550,000  |                 | 51,791,000  |  |
| 4       | March                              | 1,217,734,000                                   | 11,646,000         | 644,425,000                                     |                      | 917,856,000                                     |                      | 53,623,000  |                 | 52,210,000  |  |
| 5       | April                              | 1,218,519,000                                   | 11,646,000         | 644,646,000                                     |                      | 920,535,000                                     |                      | 55,674,000  |                 | 52,991,000  |  |
| 6       | May                                | 1,219,596,000                                   | 11,646,000         | 649,597,000                                     |                      | 923,298,000                                     |                      | 55,744,000  |                 | 53,757,000  |  |
| 7       | June                               | 1,220,468,000                                   | 11,646,000         | 653,902,000                                     |                      | 926,121,000                                     |                      | 55,813,000  |                 | 53,750,000  |  |
| 8       | July                               | 1,220,693,000                                   | 11,646,000         | 654,276,000                                     |                      | 929,058,000                                     |                      | 55,883,000  |                 | 54,641,000  |  |
| 9       | August                             | 1,220,653,000                                   | 11,646,000         | 654,997,000                                     |                      | 932,011,000                                     |                      | 55,958,000  |                 | 55,529,000  |  |
| 10      | September                          | 1,220,803,000                                   | 11,646,000         | 655,189,000                                     |                      | 934,931,000                                     |                      | 56,032,000  |                 | 55,291,000  |  |
| 11      | October                            | 1,221,053,000                                   | 11,646,000         | 655,998,000                                     |                      | 937,734,000                                     |                      | 56,105,000  |                 | 56,420,000  |  |
| 12      | November                           | 1,221,302,000                                   | 11,646,000         | 657,309,000                                     |                      | 941,251,000                                     |                      | 56,178,000  |                 | 57,826,000  |  |
| 13      | December of Rate Year              | 1,228,408,000                                   | 11,646,000         | 695,006,000                                     |                      | 949,665,000                                     |                      | 56,262,000  |                 | 55,404,000  |  |
| 14      | Average of the 13 Monthly Balances | 1,220,200,000                                   | 11,646,000         | 653,453,000                                     | -                    | 927,176,000                                     | -                    | 55,198,000  | -               | 53,306,000  |  |

  

|         |                                    | Accumulated Depreciation                          |                    |   |                      |   |                      |   |                 |   |
|---------|------------------------------------|---|--------------------|---|----------------------|---|----------------------|---|-----------------|---|
| Line No | Month (a)                          | Production (b)                                    | Production ARO (c) | Transmission (d)                                  | Transmission ARO (e) | Distribution (f)                                  | Distribution ARO (g) | General (h)                                       | General ARO (i) | Intangible (j)                                    |
|         |                                    | Company Records (Included in total in Column (b)) |                    | Company Records (Included in total in Column (d)) |                      | Company Records (Included in total in Column (f)) |                      | Company Records (Included in total in Column (h)) |                 | Company Records (Included in total in Column (j)) |
|         |                                    | FF1, page 219, Ins 20-24, Col. (b)                |                    | FF1, page 219, In 25, Col. (b)                    |                      | FF1, page 219, In 26, Col. (b)                    |                      | FF1, page 219, In 28, Col. (b)                    |                 | FF1, page 200, In 21, Col. (b)                    |
|         | (Note A)                           |   |                    |   |                      |   |                      |   |                 |   |
| 15      | December Prior to Rate Year        | 488,564,000                                       | 5,191,000          | 224,080,000                                       |                      | 267,440,000                                       |                      | 18,398,000  |                 | 19,975,000  |
| 16      | January                            | 490,453,000                                       | 5,227,000          | 225,014,000                                       |                      | 268,962,000                                       |                      | 18,575,000  |                 | 20,564,000  |
| 17      | February                           | 492,018,000                                       | 5,264,000          | 225,949,000                                       |                      | 270,478,000                                       |                      | 18,753,000  |                 | 21,210,000  |
| 18      | March                              | 493,235,000                                       | 5,300,000          | 226,887,000                                       |                      | 272,003,000                                       |                      | 18,931,000  |                 | 20,501,000  |
| 19      | April                              | 494,556,000                                       | 5,336,000          | 227,825,000                                       |                      | 273,534,000                                       |                      | 19,109,000  |                 | 21,172,000  |
| 20      | May                                | 495,865,000                                       | 5,372,000          | 228,763,000                                       |                      | 275,071,000                                       |                      | 19,294,000  |                 | 21,857,000  |
| 21      | June                               | 497,144,000                                       | 5,408,000          | 229,709,000                                       |                      | 276,616,000                                       |                      | 19,479,000  |                 | 21,729,000  |
| 22      | July                               | 498,929,000                                       | 5,445,000          | 230,664,000                                       |                      | 278,169,000                                       |                      | 19,665,000  |                 | 22,428,000  |
| 23      | August                             | 500,816,000                                       | 5,481,000          | 231,619,000                                       |                      | 279,731,000                                       |                      | 19,850,000  |                 | 23,142,000  |
| 24      | September                          | 502,514,000                                       | 5,517,000          | 232,575,000                                       |                      | 281,302,000                                       |                      | 20,037,000  |                 | 22,769,000  |
| 25      | October                            | 504,508,000                                       | 5,553,000          | 233,531,000                                       |                      | 282,881,000                                       |                      | 20,223,000  |                 | 23,497,000  |
| 26      | November                           | 506,297,000                                       | 5,589,000          | 234,489,000                                       |                      | 284,468,000                                       |                      | 20,410,000  |                 | 24,243,000  |
| 27      | December of Rate Year              | 508,324,000                                       | 5,625,000          | 235,623,000                                       |                      | 285,677,000                                       |                      | 20,597,000  |                 | 20,829,000  |
| 28      | Average of the 13 Monthly Balances | 497,940,000                                       | 5,408,000          | 229,748,000                                       | -                    | 276,641,000                                       | -                    | 19,486,000  | -               | 21,840,000  |

| Line No | Month (a)                          | OATT Ancillary Services (GSU) Plant In Service (b)                     | OATT Ancillary Services (GSU) Accumulated Depreciation (c)                          | Excluded Plant - Plant In Service (d) | Excluded Plant - Accumulated Depreciation (e) |
|---------|------------------------------------|--|---|---------------------------------------|---|
|         |                                    | Company Records (included in total in column (d) of gross plant above) | Company Records (included in total in column (b) of accumulated depreciation above) | Company Records                       | Company Records                               |
| 29      | December Prior to Rate Year        | 10,198,000   | 5,917,000   |                                       |   |
| 30      | January                            | 10,198,000   | 5,935,000   |                                       |   |
| 31      | February                           | 10,198,000   | 5,953,000   |                                       |   |
| 32      | March                              | 10,198,000   | 5,972,000   |                                       |   |
| 33      | April                              | 10,198,000   | 5,990,000   |                                       |   |
| 34      | May                                | 10,198,000   | 6,008,000   |                                       |   |
| 35      | June                               | 10,198,000   | 6,026,000   |                                       |   |
| 36      | July                               | 10,198,000   | 6,045,000   |                                       |   |
| 37      | August                             | 10,198,000   | 6,063,000   |                                       |   |
| 38      | September                          | 10,198,000   | 6,081,000   |                                       |   |
| 39      | October                            | 10,198,000   | 6,099,000   |                                       |   |
| 40      | November                           | 10,198,000   | 6,118,000   |                                       |   |
| 41      | December of Rate Year              | 10,198,000   | 6,136,000   |                                       |   |
| 42      | Average of the 13 Monthly Balances | 10,198,000   | 6,026,000   | -                                     | -   |

43 Transmission Accum Depreciation net of GSU 223,722,000

| Plant Held For Future Use (a)  | Source of Data (b)       | Balance @ December 31, 2020 (c) | Balance @ December 31, 2019 (d) | Average Balance for 2020 (e) |
|--|--------------------------|---------------------------------|---------------------------------|------------------------------|
|  |                          | 44 Plant Held For Future Use    | FF1, page 214, ln 47, Col. (d)  | 6,232,000                    |
| 45 Transmission Plant Held For Future Use (Included in total on line 44) | Company Records - Note 1 | -                               | -                               | -                            |

**Regulatory Assets and Liabilities Approved for Recovery in Ratebase**

Note: Regulatory Assets & Liabilities can only be included in ratebase pursuant to a 205 filing with the FERC.

|    |   |  |  |   |
|----|---|--|--|---|
| 46 |   |  |  | - |
| 47 |   |  |  | - |
| 48 |   |  |  | - |
| 49 |   |  |  | - |
| 50 |   |  |  | - |
| 51 | Total Regulatory Deferrals Included in Ratebase |  |  | - |

**Unfunded Reserves Summary (Company Records)**

|     | Description                | Account |         |         |         |
|-----|----------------------------|---------|---------|---------|---------|
| 52  |                            |         |         |         |         |
| 53a | Accum Prv I/D Worker's Com |         | 127,000 | 127,000 | 127,000 |
| 53b |                            |         |         |         | -       |
| 54  | Total                      |         | 127,000 | 127,000 | 127,000 |

NOTE 1: On this worksheet, "Company Records" refers to AEP's property accounting ledger.  
 NOTE 2: The ratebase should not include the unamortized balance of hedging gains or losses.

AEP East Companies  
Cost of Service Formula Rate Using Actual/Projected FF1 Balances  
Worksheet B Supporting ADIT and ITC Balances  
KENTUCKY POWER COMPANY

| <u>Line Number</u> | <u>(A)<br/>Description</u>                | <u>(B)<br/>Source</u>                    | <u>(C)<br/>Balance @ December 31,<br/>2020</u> | <u>(D)<br/>Balance @ December 31,<br/>2019</u> | <u>(E)<br/>Average Balance for<br/>2020</u> |
|--------------------|---|--|--|--|---|
| 1                  | <b><u>Account 281</u></b>                 |  |  |  |   |
| 2                  | Year End Utility Deferrals                | FF1, p. 272 - 273, ln 8, Col. (k)        | 55,913,733                                     | 54,995,020                                     | 55,454,377                                  |
| 3                  | Less: ARO Related Deferrals               | WS B-1 - Actual Stmt. AF Ln. 4 (Note 1)  | -  | -  | -   |
| 4                  | Less: Other Excluded Deferrals            | WS B-1 - Actual Stmt. AF Ln. 3 (Note 1)  | 55,913,733                                     | 54,995,020                                     | 55,454,377                                  |
| 5                  | Transmission Related Deferrals            | Ln 2 - ln 3 - ln 4                       | -  | -  | -   |
| 6                  | <b><u>Account 282</u></b>                 |  |  |  |   |
| 7                  | Year End Utility Deferrals                | FF1, p. 274 - 275, ln 5, Col. (k)        | 280,363,198                                    | 273,872,152                                    | 277,117,675                                 |
| 8                  | Less: ARO Related Deferrals               | WS B-1 - Actual Stmt. AF Ln. 7 (Note 1)  | 15,172,623                                     | 15,172,623                                     | 15,172,623                                  |
| 9                  | Less: Other Excluded Deferrals            | WS B-1 - Actual Stmt. AF Ln. 6 (Note 1)  | 171,945,256                                    | 166,170,260                                    | 169,057,758                                 |
| 10                 | Transmission Related Deferrals            | Ln 7 - ln 8 - ln 9                       | 93,245,319                                     | 92,529,269                                     | 92,887,294                                  |
| 11                 | <b><u>Account 283</u></b>                 |  |  |  |   |
| 12                 | Year End Utility Deferrals                | FF1, p. 276 - 277, ln 9, Col. (k)        | 204,920,161                                    | 202,996,379                                    | 203,958,270                                 |
| 13                 | Less: ARO Related Deferrals               | WS B-1 - Actual Stmt. AF Ln. 13 (Note 1) | 18,053,342                                     | 18,053,342                                     | 18,053,342                                  |
| 14                 | Less: Other Excluded Deferrals            | WS B-1 - Actual Stmt. AF Ln. 12 (Note 1) | 187,477,167                                    | 185,543,355                                    | 186,510,261                                 |
| 15                 | Transmission Related Deferrals            | Ln 12 - ln 13 - ln 14                    | (610,347)                                      | (600,319)                                      | (605,333)                                   |
| 16                 | <b><u>Account 190</u></b>                 |  |  |  |   |
| 17                 | Year End Utility Deferrals                | FF1, p. 234, ln 8, Col. (c)              | 91,584,023                                     | 91,584,023                                     | 91,584,023                                  |
| 18                 | Less: ARO Related Deferrals               | WS B-2 - Actual Stmt. AG Ln. 4 (Note 1)  | 7,280,077                                      | 7,280,077                                      | 7,280,077                                   |
| 19                 | Less: Other Excluded Deferrals            | WS B-2 - Actual Stmt. AG Ln. 3 (Note 1)  | 80,189,636                                     | 80,189,636                                     | 80,189,636                                  |
| 20                 | Transmission Related Deferrals            | Ln 17 - ln 18 - ln 19                    | 4,114,310                                      | 4,114,310                                      | 4,114,310                                   |
| 21                 | <b><u>Account 255</u></b>                 |  |  |  |   |
| 22                 | Year End ITC Balances                     | FF1, p. 266-267, ln 8, Col. (h)          | -  | -  | -   |
| 23                 | Less: Balances Not Qualified for Ratebase | Company Records - Note 1                 | -  | -  | -   |
| 24                 | ITC Balances Includeable Ratebase         | Ln 22 - ln 23                            | -  | -  | -   |
| 25                 | Transmission Related Deferrals            | WS B-1 - Actual Stmt. AF Ln. 20 (Note 1) | -  | -  | -   |

NOTE 1 On this worksheet, "Company Records" refers to AEP's tax forecast and accounting ledger. The PTRR will use projected ending balances and reflect proration required by IRS Letter Rule Section 1.167(l)-(h)(6)(ii). Line item detail of actual deferred tax items will be included on Worksheets B-1 and B-2.

NOTE 2 ADIT balances should exclude balances related to hedging activity.





AEP East Companies  
Cost of Service Formula Rate Using Actual/Projected FF1 Balances  
Worksheet C Supporting Working Capital Rate Base Adjustments  
KENTUCKY POWER COMPANY

| (A)                             | (B)  | (C)                                | (D)                         | (E)                      | (F)    | (G) | (H) | (I) |
|---------------------------------|--|------------------------------------|-----------------------------|--------------------------|--------|-----|-----|-----|
| <b>Materials &amp; Supplies</b> |  |                                    |                             |                          |        |     |     |     |
| Line Number                     | Source                                       | Balance @ December 31, 2020        | Balance @ December 31, 2019 | Average Balance for 2020 |        |     |     |     |
| 1                               |  |                                    |                             |                          |        |     |     |     |
| 2                               | Transmission Materials & Supplies            | FF1, p. 227, In 8, Col. (c) & (b)  | 17,000                      | 17,000                   | 17,000 |     |     |     |
| 3                               | General Materials & Supplies                 | FF1, p. 227, In 11, Col. (c) & (b) | 16,000                      | 16,000                   | 16,000 |     |     |     |
| 4                               | Stores Expense (Undistributed) - Account 163 | FF1, p. 227, In 16, Col. (c) & (b) | 0                           | 0                        | -      |     |     |     |

**Prepayment Balance Summary (Note 1)**

|   | Average of YE Balances         | Excludable Balances | 100% Transmission Related | Transmission Plant Related | Transmission Labor Related | Total Included in Ratebase (E)+(F)+(G) |                    |
|---|--------------------------------|---------------------|---------------------------|----------------------------|----------------------------|--|--------------------|
| 5 |                                |                     |                           |                            |                            |  |                    |
| 6 | Totals as of December 31, 2020 | 3,771,999           | (113,220,647)             | 0                          | 1,624,289                  | 115,368,357                            | 116,992,647        |
| 7 | Totals as of December 31, 2019 | 3,771,999           | (113,220,647)             |                            | 1,624,289                  | 115,368,357                            | 116,992,647        |
| 8 | <b>Average Balance</b>         | <u>3,771,999</u>    | <u>(113,220,647)</u>      | <u>-</u>                   | <u>1,624,289</u>           | <u>115,368,357</u>                     | <u>116,992,647</u> |

**Prepayments Account 165 - Balance @ 12/31/2020**

| Acc. No. | Description                            | 2020 YE Balance  | Excludable Balances  | 100% Transmission Related | Transmission Plant Related | Transmission Labor Related | Total Included in Ratebase (E)+(F)+(G) | Explanation                      |
|----------|--|------------------|----------------------|---------------------------|----------------------------|----------------------------|--|----------------------------------|
| 10       | 1650001 Prepaid Insurance              | 748,285          | -                    |                           | 748,285                    |                            | 748,285                                | Plant Related Insurance Policies |
| 11       | 1650005 Prepaid Employee Benefits      | 0                | -                    |                           |                            |                            | -                                      |                                  |
| 12       | 1650006 Other Prepayments              | 316,225          | 316,225              |                           |                            |                            | -                                      | Prepaid - Gen                    |
| 13       | 165000218 Prepaid Taxes                | 1,079,415        | 1,079,415            |                           |                            |                            | -                                      | Prepaid Interest - Distribution  |
| 14       | 1650009 Prepaid Carry Cost-Factored AR | 74,535           | 74,535               |                           |                            |                            | -                                      | AR Factoring                     |
| 15       | 1650010 Prepaid Pension Benefits       | 85,864,852       | -                    |                           |                            | 85,864,852                 | 85,864,852                             | Pension                          |
| 16       | 1650014 FAS 158 Qual Contra Asset      | (85,864,852)     | (85,864,852)         |                           |                            |                            | -                                      | SFAS 158 Contra Acct             |
| 17       | 1650016 FAS 112 ASSETS                 | 0                | -                    |                           |                            |                            | -                                      |                                  |
| 18       | 165001218 Prepaid Use Taxes            | 61,592           | 61,592               |                           |                            |                            | -                                      | Prepaid Tax - Dist               |
| 19       | 165001118 Prepaid Sales Taxes          | 581,579          | 581,579              |                           |                            |                            | -                                      | SFAS 112 Overfunding Asset       |
| 20       | 1650021 Prepaid Insurance - EIS        | 876,005          | -                    |                           | 876,005                    |                            | 876,005                                | Plant Related Insurance Policies |
| 21       | 1650023 Prepaid Lease                  | 34,365           | 34,365               |                           |                            |                            | -                                      | Prepaid Lease - Dist             |
| 22       | 1650031 Prepaid OCIP Work Comp         | 0                | -                    |                           |                            |                            | -                                      |                                  |
| 23       | 1650033 Prepaid OCIP Work Comp-Aff     | 0                | -                    |                           |                            |                            | -                                      |                                  |
| 24       | 1650035 PRW Without Med-D Benefits     | 29,503,505       | -                    |                           |                            | 29,503,505                 | 29,503,505                             | Labor Related Expense            |
| 25       | 1650036 PRW for Med-D Benefits         | 0                | -                    |                           |                            |                            | -                                      |                                  |
| 26       | 1650037 FAS 158 Contra-PRW Exc Med-D   | (29,503,505)     | (29,503,505)         |                           |                            |                            | -                                      | SFAS 158 Offset                  |
| 27       |  |                  |                      |                           |                            |                            |  |                                  |
| 28       |  |                  |                      |                           |                            |                            |  |                                  |
| 29       |  |                  |                      |                           |                            |                            |  |                                  |
| 30       | <b>Subtotal - Form 1, p 111.57.c</b>   | <u>3,771,999</u> | <u>(113,220,647)</u> | <u>0</u>                  | <u>1,624,289</u>           | <u>115,368,357</u>         | <u>116,992,647</u>                     |                                  |

**Prepayments Account 165 - Balance @ 12/31/ 2019**

| Acc. No. | Description                            | 2019 YE Balance  | Excludable Balances  | 100% Transmission Related | Transmission Plant Related | Transmission Labor Related | Total Included in Ratebase (E)+(F)+(G) | Explanation                      |
|----------|--|------------------|----------------------|---------------------------|----------------------------|----------------------------|--|----------------------------------|
| 32       | 1650001 Prepaid Insurance              | 748,285          | -                    |                           | 748,285                    |                            | 748,285                                | Plant Related Insurance Policies |
| 33       | 1650005 Prepaid Employee Benefits      | 0                | -                    |                           |                            |                            | -                                      |                                  |
| 34       | 1650006 Other Prepayments              | 316,225          | 316,225              |                           |                            |                            | -                                      | Prepaid - Gen                    |
| 35       | 165000218 Prepaid Taxes                | 1,079,415        | 1,079,415            |                           |                            |                            | -                                      | Prepaid Interest - Distribution  |
| 36       | 1650009 Prepaid Carry Cost-Factored AR | 74,535           | 74,535               |                           |                            |                            | -                                      | AR Factoring                     |
| 37       | 1650010 Prepaid Pension Benefits       | 85,864,852       | -                    |                           |                            | 85,864,852                 | 85,864,852                             | Pension                          |
| 38       | 1650014 FAS 158 Qual Contra Asset      | (85,864,852)     | (85,864,852)         |                           |                            |                            | -                                      | SFAS 158 Contra Acct             |
| 39       | 1650016 FAS 112 ASSETS                 | 0                | -                    |                           |                            |                            | -                                      |                                  |
| 40       | 165001218 Prepaid Use Taxes            | 61,592           | 61,592               |                           |                            |                            | -                                      | Prepaid Tax - Dist               |
| 41       | 165001118 Prepaid Sales Taxes          | 581,579          | 581,579              |                           |                            |                            | -                                      | SFAS 112 Overfunding Asset       |
| 42       | 1650021 Prepaid Insurance - EIS        | 876,005          | -                    |                           | 876,005                    |                            | 876,005                                | Plant Related Insurance Policies |
| 43       | 1650023 Prepaid Lease                  | 34,365           | 34,365               |                           |                            |                            | -                                      | Prepaid Lease - Dist             |
| 44       | 1650031 Prepaid OCIP Work Comp         | 0                | -                    |                           |                            |                            | -                                      |                                  |
| 45       | 1650033 Prepaid OCIP Work Comp-Aff     | 0                | -                    |                           |                            |                            | -                                      |                                  |
| 46       | 1650035 PRW Without Med-D Benefits     | 29,503,505       | -                    |                           |                            | 29,503,505                 | 29,503,505                             | Labor Related Expense            |
| 47       | 1650036 PRW for Med-D Benefits         | 0                | -                    |                           |                            |                            | -                                      |                                  |
| 48       | 1650037 FAS 158 Contra-PRW Exc Med-D   | (29,503,505)     | (29,503,505)         |                           |                            |                            | -                                      | SFAS 158 Offset                  |
| 49       |  |                  |                      |                           |                            |                            |  |                                  |
| 50       |  |                  |                      |                           |                            |                            |  |                                  |
| 51       |  |                  |                      |                           |                            |                            |  |                                  |
| 52       | <b>Subtotal - Form 1, p 111.57.d</b>   | <u>3,771,999</u> | <u>(113,220,647)</u> | <u>0</u>                  | <u>1,624,289</u>           | <u>115,368,357</u>         | <u>116,992,647</u>                     |                                  |

Note 1: Prepayment Balance will not include: (i) federal and state income tax payments made to offset additional tax liabilities resulting (or expected to result) from prior federal or state audits or from the filing of one or more amended income tax returns; (ii) outstanding income tax refunds due to the company resulting (or expected to result) from prior federal or state audits or from the filing of one or more amended income tax returns; or (iii) prepayments of federal or state income taxes which are attributable to income earned during periods prior to January 1 of the year depicted in the Balance Sheet (as described in USofA Account 236).

AEP East Companies  
 Cost of Service Formula Rate Using Actual/Projected FF1 Balances  
 Worksheet D Supporting IPP Credits  
 KENTUCKY POWER COMPANY

| <u>Line Number</u> | <u>(A) Description</u>  | <u>(B) 2020</u> |
|--------------------|---|-----------------|
| 1                  | Net Funds from IPP Customers 12/31/2019 (2020 FORM 1, P269)         | (308,364)       |
| 2                  | Interest Accrual (Company Records - Note 1)                         | (14,414)        |
| 3                  | Revenue Credits to Generators (Company Records - Note 1)            | 0               |
| 4                  | <u>Other Adjustments</u>  |                 |
| 5                  | Accounting Adjustment (Company Records - Note 1)                    | 0               |
| 6                  |   | -               |
| 7                  | Net Funds from IPP Customers 12/31/2020 (2020 FORM 1, P269)         | (322,778)       |
| 8                  | Average Balance for Year as Indicated in Column B ((ln 1 + ln 7)/2) | (315,571)       |

Note 1 On this worksheet Company Records refers to KENTUCKY POWER COMPANY's general ledger.

AEP East Companies  
 Cost of Service Formula Rate Using Actual/Projected FF1 Balances  
 Worksheet E Supporting Revenue Credits  
 KENTUCKY POWER COMPANY

| <u>Line Number</u> | <u>Description</u>  | <u>Total Company</u> | <u>Non-Transmission</u> | <u>Transmission</u> |
|--------------------|---|----------------------|-------------------------|---------------------|
| 1                  | Account 450, Forfeited Discounts (FF1 p.300.16.(b); Company Records - Note 1)                         | 4,496,000            | 4,496,000               | -                   |
| 2                  | Account 451, Miscellaneous Service Revenues (FF1 p.300.17.(b); Company Records - Note 1)              | 710,000              | 695,427                 | 14,573              |
| 3                  | Account 454, Rent from Electric Property (FF1 p.300.19.(b); Company Records - Note 1)                 | 6,615,000            | 5,519,934               | 1,095,066           |
| 4                  | Account 4560015, Associated Business Development - (Company Records - Notes 1, 2)                     | 3,286,000            | 3,121,685               | 164,315             |
| 5                  | Account 456 - Other Electric Revenues - (Company Records - Notes 1,2)                                 | 16,677,000           | 16,677,000              | -                   |
| 5a                 | Account 457.1, Regional Control Service Revenues (FF1 p.300.23.(b); Company Records - Note 1)         |                      | -                       |                     |
| 5b                 | Account 457.2, Miscellaneous Revenues (FF1 p.300.24.(b); Company Records - Note 1)                    |                      | -                       |                     |
| 6                  | Subtotal - Other Operating Revenues (Company Total equals (FF1 p. 300.26.(b))                         | 31,784,000           | 30,510,046              | 1,273,954           |
| 7                  | Accounts 4470004 & 5, Revenues from Grandfathered Transmission Contracts - (Company Records - Note 1) |                      | -                       |                     |
| 8                  | Total Other Operating Revenues To Reduce Revenue Requirement  | 31,784,000           | 30,510,046              | 1,273,954           |

Note 1 The total company data on this worksheet comes from the indicated FF1 source, or KENTUCKY POWER COMPANY's general ledger. The functional amounts identified as transmission revenue also come from the general ledger.

Note 2 The total of line 4 and line 5 will equal total Account 456 as listed on FF1 p.300.21-22.(b)

|   |  |  |  |   |
|---|--|--|--|---|
| 9 | Facility Credits under PJM OATT Section 30.9 |  |  | - |
|---|--|--|--|---|

AEP East Companies  
Cost of Service Formula Rate Using Actual/Projected FF1 Balances  
Worksheet F Supporting Allocation of Specific O&M or A&G Expenses  
KENTUCKY POWER COMPANY

| <u>Line Number</u>                                      | <u>(A)<br/>Item No.</u> | <u>(B)<br/>Description</u>                                       | <u>(C)<br/>2020<br/>Expense</u> | <u>(D)<br/>100%<br/>Non-Transmission</u> | <u>(E)<br/>100%<br/>Transmission<br/>Specific</u> | <u>(F)<br/>Explanation</u> |
|---|-------------------------|--|---------------------------------|--|---|----------------------------|
| <b>Regulatory O&amp;M Deferrals &amp; Amortizations</b> |                         |  |                                 |  |   |                            |
| 1   | 5660009                 | T-RAC UnderRecovery  | (15,559,000)                    |  |   |                            |
| 2   |                         |  |                                 |  |   |                            |
| 3   |                         |  |                                 |  |   |                            |
| 4   |                         | <b>Total</b>   | <u>(15,559,000)</u>             |  |   |                            |
| <b>Detail of Account 561 Per FERC Form 1</b>            |                         |  |                                 |  |   |                            |
| 5   |                         |  |                                 |  |   |                            |
| 6   | FF1 p 321.85.b          | 561.1 - Load Dispatch - Reliability                              |                                 |  |   |                            |
| 7   | FF1 p 321.86.b          | 561.2 - Load Dispatch - Monitor & Operate Trans System           | 1,115,000                       |  |   |                            |
| 8   | FF1 p 321.87.b          | 561.3 - Load Dispatch - Trans Service & Scheduling               |                                 |  |   |                            |
| 9   | FF1 p 321.88.b          | 561.4 - Scheduling, System Control & Dispatch                    | 1,233,000                       |  |   |                            |
| 10  | FF1 p 321.89.b          | 561.5 - Reliability, Planning and Standards Development          |                                 |  |   |                            |
| 11  | FF1 p 321.90.b          | 561.6 - Transmission Service Studies                             |                                 |  |   |                            |
| 12  | FF1 p 321.91.b          | 561.7 - Generation Interconnection Studies                       |                                 |  |   |                            |
| 13  | FF1 p 321.92.b          | 561.8 - Reliability, Planning and Standards Development Services | 348,000                         |  |   |                            |
| 14  |                         | <b>Total of Account 561</b>                                      | <u>2,696,000</u>                |  |   |                            |
| <b>Account 928</b>                                      |                         |  |                                 |  |   |                            |
| 15  | 9280000                 | Regulatory Commission Exp  | -                               | -  | -   |                            |
| 16  |                         |  |                                 |  |   |                            |
| 17  |                         |  |                                 |  |   |                            |
| 18  |                         |  |                                 |  |   |                            |
| 19  |                         |  |                                 |  |   |                            |
| 20  |                         | <b>Total (FERC Form 1 p.323.189.b)</b>                           | <u>-</u>                        | <u>-</u>                                 | <u>-</u>  |                            |
| <b>Account 930.1</b>                                    |                         |  |                                 |  |   |                            |
| 21  | 9301000                 | General Advertising Expenses                                     | 17,742                          | 17,742                                   | -   |                            |
| 22  | 9301001                 | Newspaper Advertising Space                                      | 6,130                           | 6,130                                    | -   |                            |
| 23  | 9301002                 | Radio Station Advertising Time                                   | 11,470                          | 11,470                                   | -   |                            |
| 24  | 9301003                 | TV Station Advertising Time                                      | 3,523                           | 3,523                                    | -   |                            |
| 25  | 9301010                 | Publicity  | 649                             | 649                                      | -   |                            |
| 26  | 9301012                 | Public Opinion Surveys   | 68,298                          | 68,298                                   | -   |                            |
| 27  | 9301015                 | Other Corporate Comm Exp   | 6,815                           | 6,815                                    | -   |                            |
| 28  |                         |  |                                 |  |   |                            |
| 29  |                         |  |                                 |  |   |                            |
| 30  |                         |  |                                 |  |   |                            |
| 31  |                         |  |                                 |  |   |                            |
| 32  |                         |  |                                 |  |   |                            |
| 33  |                         |  |                                 |  |   |                            |
| 34  |                         |  |                                 |  |   |                            |
| 35  |                         |  |                                 |  |   |                            |
| 36  |                         |  |                                 |  |   |                            |
| 37  |                         | <b>Total (FERC Form 1 p.323.191.b)</b>                           | <u>114,628</u>                  | <u>114,628</u>                           | <u>-</u>  |                            |
| <b>Account 930.2</b>                                    |                         |  |                                 |  |   |                            |
| 38  | 9302000                 | Misc General Expenses  | 215,283                         | 215,283                                  |   |                            |
| 39  | 9302003                 | Corporate & Fiscal Expenses                                      | 28,162                          | 28,162                                   |   |                            |
| 40  | 9302004                 | Research, Develop&Demonstr Exp                                   | 1,367                           | 1,367                                    |   |                            |
| 41  | 9302006                 | Assoc Business Development Materials Sold                        | 35,154                          | 35,154                                   | -   |                            |
| 42  | 9302007                 | Assoc Business Development Exp                                   | 167,027                         | 130,059                                  | 36,968  |                            |
| 43  |                         | <b>Total (FERC Form 1 p.323.192.b)</b>                           | <u>446,994</u>                  | <u>410,026</u>                           | <u>36,968</u>                                     |                            |

AEP East Companies  
 Cost of Service Formula Rate Using Actual/Projected FF1 Balances  
 Worksheet G Supporting - Development of Composite State Income Tax Rate  
 KENTUCKY POWER COMPANY

|                                       |        |              |
|---------------------------------------|--------|--------------|
| Kentucky Income Tax Rate              | 5.00%  |              |
| Apportionment Factor - Note 1         | 91.49% |              |
| Effective State Tax Rate              |        | 4.57%        |
| West Virginia Income Tax Rate         | 6.50%  |              |
| Apportionment Factor - Note 1         | 21.65% |              |
| Effective State Tax Rate              |        | 1.41%        |
| Michigan Corporate Income Tax         | 6.00%  |              |
| Apportionment Factor - Note 1         | 0.04%  |              |
| Effective State Tax Rate              |        | 0.00%        |
| Ohio Franchise Tax Rate               | 0.00%  |              |
| Phase-out Factor Note 1               | 0.00%  |              |
| Apportionment Factor - Note 2         | 0.00%  |              |
| Effective State Tax Rate              |        | 0.00%        |
| _____ Tax Rate                        | 0.00%  |              |
| Apportionment Factor - Note 1         | 0.00%  |              |
| Effective State Tax Rate              |        | 0.00%        |
| Illinois Corporation Income Tax Rate  | 9.50%  |              |
| Apportionment Factor - Note 1         | 1.20%  |              |
| Effective State Tax Rate              |        | 0.11%        |
| Total Effective State Income Tax Rate |        | <u>6.09%</u> |

Note 1 Apportionment Factors are determined as part of the Company's annual tax return for that jurisdiction.

AEP East Companies  
Cost of Service Formula Rate Using Actual/Projected FF1 Balances  
Worksheet H Supporting Taxes Other than Income  
KENTUCKY POWER COMPANY

| Line No. | (A)<br>Account                                   | (B)<br>Total Company | (C)<br>Property   | (D)<br>Labor     | (E)<br>Other     | (F)<br>Non-Allocable |
|----------|--|----------------------|-------------------|------------------|------------------|----------------------|
|          |  | NOTE 1               |                   |                  |                  |                      |
| 1        | <b>Revenue Taxes</b>                             |                      |                   |                  |                  |                      |
| 2        | Gross Receipts Tax                               | 20,200               |                   |                  |                  | 20,200               |
| 3        | <b>Real Estate and Personal Property Taxes</b>   |                      |                   |                  |                  |                      |
| 4        | Real and Personal Property - Kentucky            | 14,527,425           | 14,527,425        |                  |                  |                      |
| 5        | Real and Personal Property - West Virginia       | 4,842,475            | 4,842,475         |                  |                  |                      |
| 6        | Real and Personal Property - Tennessee           | -                    | -                 |                  |                  |                      |
| 7        | Real and Personal Property - Other Jurisdictions | -                    | -                 |                  |                  |                      |
| 8        | <b>Payroll Taxes</b>                             |                      |                   |                  |                  |                      |
| 9        | Federal Insurance Contribution (FICA )           | 2,601,929            |                   | 2,601,929        |                  |                      |
| 10       | Federal Unemployment Tax                         | -                    |                   | -                |                  |                      |
| 11       | State Unemployment Insurance                     | -                    |                   | -                |                  |                      |
| 12       | <b>Production Taxes</b>                          |                      |                   |                  |                  |                      |
| 13       | State Severance Taxes                            | -                    |                   |                  |                  | -                    |
| 14       | <b>Miscellaneous Taxes</b>                       |                      |                   |                  |                  |                      |
| 15       | State B&O Tax                                    | 6,300,000            |                   |                  |                  | 6,300,000            |
| 16       | State Public Service Commission Fee              | 1,202,400            |                   |                  | 1,202,400        |                      |
| 17       | State Franchise Tax                              | 960,000              |                   |                  | 960,000          |                      |
| 18       |  | -                    |                   |                  | -                |                      |
| 19       |  | -                    |                   |                  | -                |                      |
| 20       | Sales & Use                                      | 53,000               |                   |                  |                  | 53,000               |
| 21       |  | -                    |                   |                  |                  | -                    |
| 22       |  | -                    |                   |                  |                  | -                    |
| 23       |  |                      |                   |                  |                  |                      |
| 24       | Total Taxes by Allocable Basis                   | <u>30,507,429</u>    | <u>19,369,900</u> | <u>2,601,929</u> | <u>2,162,400</u> | <u>6,373,200</u>     |

(Total Company Amount Ties to FFI p.114, Ln 14,(c))

NOTE 1: The detail of each total company number and its source in the FERC Form 1 is shown on WS H-1.

**Functional Property Tax Allocation**

|    | Production  | Transmission | Distribution | General     | Total        |               |
|----|---|--------------|--------------|-------------|--------------|---------------|
| 25 | Functionalized Net Plant (TCOS, Lns 41 thru 46)                 | 716,022,000  | 423,705,000  | 650,535,000 | 35,712,000   | 1,825,974,000 |
| 26 | <b>KENTUCKY JURISDICTION</b>                                    |              |              |             |              |               |
| 26 | Percentage of Plant in KENTUCKY JURISDICTION                    | 33.59%       | 98.41%       | 100.00%     | 99.68%       |               |
| 27 | Net Plant in KENTUCKY JURISDICTION (Ln 25 * Ln 26)              | 240,511,790  | 416,968,091  | 650,535,000 | 35,597,722   | 1,343,612,602 |
| 28 | Less: Net Value of Exempted Generation Plant                    | 12,037,050   |              |             |              |               |
| 29 | Taxable Property Basis (Ln 27 - Ln 28)                          | 228,474,740  | 416,968,091  | 650,535,000 | 35,597,722   | 1,331,575,552 |
| 30 | Relative Valuation Factor                                       | 33.00%       | 100.00%      | 100.00%     | 100.00%      |               |
| 31 | Weighted Net Plant (Ln 29 * Ln 30)                              | 75,396,664   | 416,968,091  | 650,535,000 | 35,597,722   |               |
| 32 | General Plant Allocator (Ln 31 / (Total - General Plant))       | 6.60%        | 36.48%       | 56.92%      | -100.00%     |               |
| 33 | Functionalized General Plant (Ln 32 * General Plant)            | 2,348,368    | 12,987,241   | 20,262,113  | (35,597,722) | -             |
| 34 | Weighted KENTUCKY JURISDICTION Plant (Ln 31 + 33)               | 77,745,032   | 429,955,331  | 670,797,113 | (0)          | 1,178,497,476 |
| 35 | Functional Percentage (Ln 34/Total Ln 34)                       | 6.60%        | 36.48%       | 56.92%      |              |               |
| 46 | <b>WEST VIRGINIA JURISDICTION</b>                               |              |              |             |              |               |
| 46 | Net Plant in WEST VIRGINIA JURISDICTION (Ln 25 - Ln 27 - Ln 37) | 475,510,210  | 6,736,910    | -           | 114,278      | 482,361,398   |
| 47 | Less: Net Value Exempted Generation Plant                       | 408,136,549  |              |             |              |               |
| 48 | Taxable Property Basis  | 67,373,661   | 6,736,910    | -           | 114,278      | 74,224,849    |
| 49 | Relative Valuation Factor                                       | 100.00%      | 100.00%      | 100.00%     | 100.00%      |               |
| 50 | Weighted Net Plant (Ln 48 * Ln 49)                              | 67,373,661   | 6,736,910    | -           | 114,278      |               |
| 51 | General Plant Allocator (Ln 50 / (Total - General Plant))       | 90.91%       | 9.09%        | 0.00%       | -100.00%     |               |
| 52 | Functionalized General Plant (Ln 52 * General Plant)            | 103,890      | 10,388       | -           | (114,278)    |               |
| 53 | Weighted WEST VIRGINIA JURISDICTION Plant (Ln 50 + 52)          | 67,477,551   | 6,747,298    | -           | 0            | 74,224,849    |
| 54 | Functional Percentage (Ln 53/Total Ln 53)                       | 90.91%       | 9.09%        | 0.00%       |              |               |

AEP East Companies  
Cost of Service Formula Rate Using Actual/Projected FF1 Balances  
Worksheet H-1 Form 1 Source Reference of Company Amounts on WS H  
KENTUCKY POWER COMPANY

| Line No. | (A)<br>Annual Tax Expenses by Type (Note 1) | (B)<br>Total Company | (C)<br>FERC FORM 1 Tie-Back | (D)<br>FERC FORM 1 Reference |
|----------|---|----------------------|-----------------------------|------------------------------|
|----------|---|----------------------|-----------------------------|------------------------------|

|   |                      |        |                    |  |
|---|----------------------|--------|--------------------|--|
| 1 | <b>Revenue Taxes</b> |        |                    |  |
| 2 | Gross Receipts Tax   | 20,200 | 37,200<br>(17,000) |  |

| Line No. | (A)<br>Real Estate and Personal Property Tax Detail Annual Tax Expenses by Type (Note 1) | (B)<br>Tax Year | (C)<br>Total Company | (D)<br>FERC FORM 1 Tie-Back | (E)<br>FERC FORM 1 Reference | (F)<br>Tax Year Factor (Note 2) | (G)<br>Transmission Function (Note 2) |
|----------|--|-----------------|----------------------|-----------------------------|------------------------------|---------------------------------|---------------------------------------|
|----------|--|-----------------|----------------------|-----------------------------|------------------------------|---------------------------------|---------------------------------------|

|   |   |      |            |            |  |        |                             |
|---|---|------|------------|------------|--|--------|-----------------------------|
| 3 | <b>Real Estate and Personal Property Taxes Total</b><br>(Ln 4 + Ln 5 + Ln 6 + Ln 7) |      | 19,369,900 |            |  |        | 5,740,289                   |
| 4 | Real and Personal Property - Kentucky   | 2020 | 14,527,425 | 14,527,425 |  | 36.48% | 5,300,091<br>5,300,091<br>- |
| 5 | Real and Personal Property - W Va   | 2020 | 4,842,475  | 4,842,475  |  | 9.09%  | 440,198<br>440,198<br>-     |
| 6 | Real and Personal Property - Tennessee  |      | -          |            |  | 0.00%  | -<br>-                      |
| 7 | Real and Personal Property - Other Jurisdictions                                    |      | -          | -          |  | 0.00%  | -<br>-                      |

| Line No. | (A)<br>Annual Tax Expenses by Type (Note 1) | (B)<br>Total Company | (C)<br>FERC FORM 1 Tie-Back | (D)<br>FERC FORM 1 Reference |
|----------|---|----------------------|-----------------------------|------------------------------|
|----------|---|----------------------|-----------------------------|------------------------------|

|    |  |  |            |            |
|----|--|--|------------|------------|
| 8  | <b>Payroll Taxes</b>   |  |            |            |
| 9  | Federal Insurance Contribution (FICA )   |  | 2,601,929  | 2,601,929  |
| 10 | Federal Unemployment Tax   |  | -          | -          |
| 11 | State Unemployment Insurance   |  | -          | -          |
| 12 | <b>Production Taxes</b>  |  |            |            |
| 13 | State Severance Taxes  |  | -          | -          |
| 14 | <b>Miscellaneous Taxes</b>   |  |            |            |
| 15 | State Business & Occupation Tax  |  | 6,300,000  | 6,300,000  |
| 16 | State Public Service Commission Fees   |  | 1,202,400  | 1,202,400  |
| 17 | State Franchise Taxes  |  | 960,000    | 960,000    |
| 18 | State Lic/Registration Fee   |  | -          | -          |
| 19 | Misc. State and Local Tax  |  | -          | -          |
| 20 | Sales & Use  |  | 53,000     | 53,000     |
| 21 | Federal Excise Tax   |  | -          | -          |
| 22 | Michigan Single Business Tax   |  | -          | -          |
| 23 | <b>Total Taxes by Allocable Basis</b><br>(Total Company Amount Ties to FFI p.114, Ln 14,(c)) |  | 30,507,429 | 30,507,429 |

Note 1: The taxes assessed on each operating company can differ from year to year and between operating companies by both the type of taxes and the states in which they were assessed. Therefore, for each company, the types and jurisdictions of tax expense recorded on this page could differ from the same page in the same company's prior year template or from this page in other operating companies' current year templates. For each update, this sheet will be revised to ensure that the total activity recorded hereon equals the total reported in account 408.1 on P. 114, Ln 14,(c) of the Ferc Form 1.

Note 2: The transmission functional amounts for any Real Estate and Property taxes listed on pages 263 of the FERC Form 1 will be allocated using the transmission functional allocator calculated for each state in Worksheet H of the applicable year that the taxes were assessed. Real and Personal Property - Other Jurisdictions will be allocated using the Gross Plant Allocator from the applicable year.

13984000

**AEP East Companies**  
**Cost of Service Formula Rate Using 2020 FF1 Balances**  
**Worksheet I RESERVED FOR FUTURE USE**  
**KENTUCKY POWER COMPANY**

AEP East Companies  
 Cost of Service Formula Rate Using 2020 FF1 Balances  
 Worksheet J Supporting Calculation of PROJECTED PJM RTEP Project Revenue Requirement Billed to Benefiting Zones  
 KENTUCKY POWER COMPANY

**I. Calculate Return and Income Taxes with basis point ROE increase for Projects Qualified for Regional Billing.**

**A. Determine 'R' with hypothetical basis point increase in ROE for Identified Projects**

|   |          |             |                      |        |
|---|----------|-------------|----------------------|--------|
| ROE w/o incentives (TCOS, ln 156)   |          |             |                      | 10.35% |
| Project ROE Incentive Adder   |          |             |                      |        |
| ROE with additional basis point incentive   |          |             |                      | 10.35% |
| Determine R (cost of long term debt, cost of preferred stock and equity percentage is from the TCOS, lns 154 through 156) |          |             |                      |        |
|   | <u>%</u> | <u>Cost</u> | <u>Weighted cost</u> |        |
| Long Term Debt  | 54.31%   | 4.42%       | 2.400%               |        |
| Preferred Stock   | 0.00%    | 0.00%       | 0.000%               |        |
| Common Stock  | 45.69%   | 10.35%      | 4.729%               |        |
|   |          | R =         |                      | 7.130% |

| SUMMARY OF PROJECTED ANNUAL RTEP REVENUE REQUIREMENTS |      |             |                   |
|---|------|-------------|-------------------|
| PROJECTED YEAR  | 2020 | Rev Require | Incentive Amounts |
|   |      | -           | \$ -              |

**B. Determine Return using 'R' with hypothetical basis point ROE increase for Identified Projects.**

|                         |             |
|-------------------------|-------------|
| Rate Base (TCOS, ln 68) | 346,825,177 |
| R (from A. above)       | 7.130%      |
| Return (Rate Base x R)  | 24,727,794  |

**C. Determine Income Taxes using Return with hypothetical basis point ROE increase for Identified Projects.**

|                                       |             |
|---------------------------------------|-------------|
| Return (from B. above)                | 24,727,794  |
| Effective Tax Rate (TCOS, ln 114)     | 23.08%      |
| Income Tax Calculation (Return x CIT) | 5,706,584   |
| ITC Adjustment                        | -           |
| Excess Deferred Income Tax            | (1,722,406) |
| Tax Affect of Permanent Differences   | 1,593,323   |
| Income Taxes                          | 5,577,501   |

**II. Calculate Net Plant Carrying Charge Rate (Fixed Charge Rate or FCR) with hypothetical basis point ROE increase.**

**A. Determine Annual Revenue Requirement less return and Income Taxes.**

|   |            |
|---|------------|
| Annual Revenue Requirement (TCOS, ln 1)                           | 63,275,567 |
| Lease Payments (TCOS, ln 95)                                      | -          |
| Return (TCOS, ln 126)   | 24,727,794 |
| Income Taxes (TCOS, ln 125)                                       | 5,577,501  |
| Annual Revenue Requirement, Less Lease Payments, Return and Taxes | 32,970,272 |

**B. Determine Annual Revenue Requirement with hypothetical basis point increase in ROE.**

|   |            |
|---|------------|
| Annual Revenue Requirement, Less Lease Payments, Return and Taxes | 32,970,272 |
| Return (from I.B. above)  | 24,727,794 |
| Income Taxes (from I.C. above)                                    | 5,577,501  |
| Annual Revenue Requirement, with Basis Point ROE increase         | 63,275,567 |
| Depreciation (TCOS, ln 100)                                       | 16,831,636 |
| Annual Rev. Req. w/ Basis Point ROE increase, less Depreciation   | 46,443,931 |

**C. Determine FCR with hypothetical basis point ROE increase.**

|  |             |
|--|-------------|
| Net Transmission Plant (TCOS, ln 42)                             | 419,533,000 |
| Annual Revenue Requirement, with Basis Point ROE increase        | 63,275,567  |
| FCR with Basis Point increase in ROE                             | 15.08%      |
| Annual Rev. Req. w/ Basis Point ROE increase, less Dep.          | 46,443,931  |
| FCR with Basis Point ROE increase, less Depreciation             | 11.07%      |
| FCR less Depreciation (TCOS, ln 10)                              | 11.07%      |
| Incremental FCR with Basis Point ROE increase, less Depreciation | 0.00%       |

**III. Calculation of Composite Depreciation Rate**

|   |             |
|---|-------------|
| Average Transmission Plant Balance for 2020 (TCOS, ln 21)   | 643,255,000 |
| Annual Depreciation and Amortization Expense (TCOS, ln 100) | 16,831,636  |
| Composite Depreciation Rate                                 | 2.62%       |
| Depreciable Life for Composite Depreciation Rate            | 38.22       |
| Round to nearest whole year                                 | 38          |



AEP East Companies  
Cost of Service Formula Rate Using 2020 FF1 Balances  
Worksheet L Reserved for Future Use  
KENTUCKY POWER COMPANY

AEP East Companies  
 Cost of Service Formula Rate Using Actual/Projected FF1 Balances  
 Worksheet M Supporting Calculation of Capital Structure and Weighted Average Cost of Capital  
 KENTUCKY POWER COMPANY

| Line No  | Month (a)                          | Average Balance of Common Equity |                           |  |                            | Average Balance of Common Equity (f)=(b)-(c)-(d)-(e) |
|----------|------------------------------------|----------------------------------|---------------------------|--|----------------------------|--|
|          |                                    | Proprietary Capital (b)          | Less: Preferred Stock (c) | Less Undistributed Sub Earnings (Acct 216.1) (d) | Less AOCI (Acct 219.1) (e) |  |
| (Note A) |                                    | (FF1 112.16)                     | (FF1 250-251)             | (FF1 112.12)                                     | (FF1 112.15)               |  |
| 1        | December Prior to Rate Year        | 788,582,000                      |                           |  | (192,000)                  | 788,774,000  |
| 2        | January                            | 797,458,000                      |                           |  | (184,000)                  | 797,642,000  |
| 3        | February                           | 803,816,000                      |                           |  | (176,000)                  | 803,992,000  |
| 4        | March                              | 808,881,000                      |                           |  | (168,000)                  | 809,049,000  |
| 5        | April                              | 808,405,000                      |                           |  | (161,000)                  | 808,566,000  |
| 6        | May                                | 811,432,000                      |                           |  | (153,000)                  | 811,585,000  |
| 7        | June                               | 809,141,000                      |                           |  | (145,000)                  | 809,286,000  |
| 8        | July                               | 811,186,000                      |                           |  | (137,000)                  | 811,323,000  |
| 9        | August                             | 814,234,000                      |                           |  | (130,000)                  | 814,364,000  |
| 10       | September                          | 813,462,000                      |                           |  | (122,000)                  | 813,584,000  |
| 11       | October                            | 814,382,000                      |                           |  | (114,000)                  | 814,496,000  |
| 12       | November                           | 818,509,000                      |                           |  | (106,000)                  | 818,615,000  |
| 13       | December of Rate Year              | 824,684,000                      |                           |  | (99,000)                   | 824,783,000  |
| 14       | Average of the 13 Monthly Balances | 809,552,000                      | -                         | -  | (145,000)                  | 809,696,846  |

| Line No  | Month (a)                          | Average Balance of Long Term Debt |                                     |  |                                     |                                  | Gross Proceeds Outstanding Long-Term Debt (g)=(b)-(c)+(d)+(e)-(f) |
|----------|------------------------------------|-----------------------------------|-------------------------------------|--|-------------------------------------|----------------------------------|---|
|          |                                    | Acct 221 Bonds (b)                | Less: Acct 222 Reacquired Bonds (c) | Acct 223 LT Advances from Assoc. Companies (d) | Acct 224 Senior Unsecured Notes (e) | Less: Fair Value Hedges (f)      |   |
| (Note A) |                                    | (FF1 112.18)                      | (FF1 112.19)                        | (FF1 112.20)                                   | (FF1 112.21)                        | FF1, page 257, Col. (h) - Note 1 |   |
| 15       | December Prior to Rate Year        |                                   | -                                   |  | 870,000,000                         |                                  | 870,000,000   |
| 16       | January                            |                                   | -                                   |  | 970,000,000                         |                                  | 970,000,000   |
| 17       | February                           |                                   | -                                   |  | 970,000,000                         |                                  | 970,000,000   |
| 18       | March                              |                                   | -                                   |  | 970,000,000                         |                                  | 970,000,000   |
| 19       | April                              |                                   | -                                   |  | 970,000,000                         |                                  | 970,000,000   |
| 20       | May                                |                                   | -                                   |  | 970,000,000                         |                                  | 970,000,000   |
| 21       | June                               |                                   | -                                   |  | 970,000,000                         |                                  | 970,000,000   |
| 22       | July                               |                                   | -                                   |  | 970,000,000                         |                                  | 970,000,000   |
| 23       | August                             |                                   | -                                   |  | 970,000,000                         |                                  | 970,000,000   |
| 24       | September                          |                                   | -                                   |  | 970,000,000                         |                                  | 970,000,000   |
| 25       | October                            |                                   | -                                   |  | 970,000,000                         |                                  | 970,000,000   |
| 26       | November                           |                                   | -                                   |  | 970,000,000                         |                                  | 970,000,000   |
| 27       | December of Rate Year              |                                   | -                                   |  | 970,000,000                         |                                  | 970,000,000   |
| 28       | Average of the 13 Monthly Balances | -                                 | -                                   | -  | 962,308,000                         | -                                | 962,307,692   |

NOTE 1: The balance of fair value hedges on outstanding long term debt are to be excluded from the balance of long term debt included in the formula's capital structure. (Page 257 Column H of the FF1)

**Development of Cost of Long Term Debt Based on Average Outstanding Balance**

|    | (a)   | (b) | (c) | (d)        | (e) | (f) | (g) |
|----|---|-----|-----|------------|-----|-----|-----|
| 29 | <b>Annual Interest Expense for 2020</b>   |     |     |            |     |     |     |
| 30 | Interest on Long Term Debt - Accts 221 - 224 (256-257.33.i)   |     |     | 42,039,000 |     |     |     |
| 31 | Less: Total Hedge Gain/Expense Accumulated from p 256-257, col. (i) of FERC Form 1 included in Ln 30 and shown in 50 below. |     |     | -          |     |     |     |
| 32 | Plus: Allowed Hedge Recovery From Ln 55 below.  |     |     | -          |     |     |     |
| 33 | Amort of Debt Discount & Expense - Acct 428 (117.63.c)  |     |     | 430,000    |     |     |     |
| 34 | Amort of Loss on Reacquired Debt - Acct 428.1 (117.64.c)  |     |     | 67,000     |     |     |     |
| 35 | Less: Amort of Premium on Debt - Acct 429 (117.65.c)  |     |     |            |     |     |     |
| 36 | Less: Amort of Gain on Reacquired Debt - Acct 429.1 (117.66.c)  |     |     |            |     |     |     |
| 37 | <b>Total Interest Expense (Ln 30 - 31 + 33 + 34 - 35 - 36)</b>  |     |     | 42,536,000 |     |     |     |
| 38 | <b>Average Cost of Debt for 2020 (Ln 37/ Ln 28 (g))</b>   |     |     | 4.42%      |     |     |     |

**CALCULATION OF RECOVERABLE HEDGE GAINS/LOSSES**

39 NOTE: The net amount of hedging gains or losses recorded in account 427 to be recovered in this formula rate should be limited to the effective portion of pre-issuance cash flow hedges that are amortized over the life of the underlying debt issuances. The recovery of a net loss or passback of a net gain will be limited to five basis points of the total Capital Structure. Amounts related to the ineffective portion of pre-issuance hedges, cash settlements of fair value hedges issued on Long Term Debt, post-issuance cash flow hedges, and cash flow hedges of variable rate debt issuances are not recoverable in this formula and are to be recorded in the "Excludable" column below.

|    | HEDGE AMOUNTS BY ISSUANCE (FROM p. 256-257 (i) of the FERC Form 1)                | Total Hedge (Gain)/Loss for 2020 | Less Excludable Amounts (See NOTE on Line 39) | Net Includable Hedge Amount | Amortization Period           |           |        |
|----|---|----------------------------------|---|-----------------------------|-------------------------------|-----------|--------|
|    |   |                                  |   |                             | Remaining Unamortized Balance | Beginning | Ending |
| 40 | Senior Unsecured Notes - Series G   | -                                | -   | -                           |                               |           |        |
| 41 | Senior Unsecured Notes - Series H   | -                                | -   | -                           |                               |           |        |
| 42 | Senior Unsecured Notes - Series J   | -                                | -   | -                           |                               |           |        |
| 43 |   |                                  |   |                             |                               |           |        |
| 44 |   |                                  |   |                             |                               |           |        |
| 45 |   |                                  |   |                             |                               |           |        |
| 46 |   |                                  |   |                             |                               |           |        |
| 47 |   |                                  |   |                             |                               |           |        |
| 48 |   |                                  |   |                             |                               |           |        |
| 49 |   |                                  |   |                             |                               |           |        |
| 50 | Total Hedge Amortization  | -                                | -   | -                           |                               |           |        |
| 51 | Hedge Gain or Loss Prior to Application of Recovery Limit (Sum of Lines 40 to 48) |                                  |   | -                           |                               |           |        |
| 52 | Total Average Capital Structure Balance for 2020 (TCOS, Ln 157)                   |                                  |   | 1,772,004,692               |                               |           |        |
| 53 | Financial Hedge Recovery Limit - Five Basis Points of Total Capital               |                                  |   | 0.0005                      |                               |           |        |
| 54 | Limit of Recoverable Amount   |                                  |   | 886,002                     |                               |           |        |
| 55 | <b>Recoverable Hedge Amortization (Lesser of Ln 51 or Ln 54)</b>                  |                                  |   | -                           |                               |           |        |

**Development of Cost of Preferred Stock**

**Preferred Stock**

**Average**

|   |        |        |  |
|---|--------|--------|--|
| 56 0% Series - 0 - Dividend Rate (p. 250-251)           | 0.000% | 0.000% |  |
| 57 0% Series - 0 - Par Value (p. 250-251)               | \$ -   | \$ -   |  |
| 58 0% Series - 0 - Shares O/S (p.250-251)               | -      | -      |  |
| 59 0% Series - 0 - Monetary Value (Ln 57 * Ln 58)       | -      | -      | -  |
| 60 0% Series - 0 - Dividend Amount (Ln 56 * Ln 59)      | -      | -      | -  |
|   |        |        |  |
| 61 0% Series - 0 - Dividend Rate (p. 250-251)           | 0.000% | 0.000% |  |
| 62 0% Series - 0 - Par Value (p. 250-251)               | \$ -   | \$ -   |  |
| 63 0% Series - 0 - Shares O/S (p.250-251)               | -      | -      |  |
| 64 0% Series - 0 - Monetary Value (Ln 62 * Ln 63)       | -      | -      | -  |
| 65 0% Series - 0 - Dividend Amount (Ln 61 * Ln 64)      | -      | -      | -  |
|   |        |        |  |
| 66 0% Series - 0 - Dividend Rate (p. 250-251)           | 0.000% | 0.000% |  |
| 67 0% Series - 0 - Par Value (p. 250-251)               | \$ -   | \$ -   |  |
| 68 0% Series - 0 - Shares O/S (p.250-251)               | -      | -      |  |
| 69 0% Series - 0 - Monetary Value (Ln 67 * Ln 68)       | -      | -      | -  |
| 70 0% Series - 0 - Dividend Amount (Ln 66 * Ln 69)      | -      | -      | -  |
|   |        |        |  |
| 71 <b>Balance of Preferred Stock (Lns 59, 64, 69)</b>   | -      | -      | - Year End Total Agrees to FF1 p.112, Ln 3, col (c ) & (d) |
| 72 <b>Dividends on Preferred Stock (Lns 60, 65, 70)</b> | -      | -      | -  |
| 73 <b>Average Cost of Preferred Stock (Ln 72/71)</b>    | 0.00%  | 0.00%  | <b>0.00%</b>   |

**AEP East Companies**  
**Cost of Service Formula Rate Using Actual/Projected FF1 Balances**  
**Worksheet N - Gains (Losses) on Sales of Plant Held For Future Use**  
**KENTUCKY POWER COMPANY**

Note: Gain or loss on plant held for future are recorded in accounts 411.6 or 411.7 respectively. Sales will be funtionalized based on the description of that asset. Sales of transmission assets will be direct assigned; sales of general assets will be functionalized on labor. Sales of plant held for future use related to generation or distribution will not be included in the formula.

| Line | (A)<br>Date | (B)<br>Property Description | (C)<br>Function<br>(T) or (G)<br>T = Transmission<br>G = General | (D)<br>Basis | (E)<br>Proceeds             | (F)<br>(Gain) / Loss | (G)<br>Functional<br>Allocator | (H)<br>Functionalized<br>Proceeds<br>(Gain) / Loss | (I)<br>FERC<br>Account |
|------|-------------|-----------------------------|--|--------------|-----------------------------|----------------------|--------------------------------|--|------------------------|
| 1    |             |                             |  |              |                             | -                    | 0.000%                         | -  |                        |
| 2    |             |                             |  |              |                             | -                    | 0.000%                         | -  |                        |
| 3    |             |                             |  |              |                             | -                    | 0.000%                         | -  |                        |
| 4    |             |                             |  |              | Net (Gain) or Loss for 2020 | <u><u>-</u></u>      |                                | <u><u>-</u></u>                                    |                        |

AEP East Companies  
Cost of Service Formula Rate Using Actual/Projected FF1 Balances  
Worksheet O - Calculation of Postemployment Benefits Other than Pensions Expenses Allocable to Transmission Service  
KENTUCKY POWER COMPANY

1 Total AEP East Operating Company PBOP Settlement Amount (127,041,505)

**Allocation of PBOP Settlement Amount for 2020**

| Line# | Company                    | Total Company Amount                               |                                     |  |                             |                    |                     |   |
|-------|----------------------------|--|-------------------------------------|--|-----------------------------|--------------------|---------------------|---|
|       |                            | Actual Expense<br>(Including AEPSC<br>Billed OPEB) | Ratio of Company<br>Actual to Total | Allocation of PBOB<br>Recovery Allowance | Labor Allocator for<br>2020 | Actual Expense     | Allowable Expense   | One Year Functional<br>Expense (Over)/Under |
|       |                            | (A)<br>(Line 14)                                   | (B)=(A)/Total (A)                   | (C)=(B) * -127041505                     | (D)                         | (E)=(A) * (D)      | (F)=(C) * (D)       | (G)=(E) - (F)                               |
| 2     | APCo                       | (21,243,233)                                       | 36.83%                              | (46,793,855)                             | 9.272%                      | (1,969,696)        | (4,338,779)         | 2,369,082                                   |
| 3     | I&M                        | (14,970,273)                                       | 25.96%                              | (32,975,997)                             | 4.367%                      | (653,716)          | (1,439,983)         | 786,267                                     |
| 4     | KPCo                       | (4,775,930)  | 8.28%                               | (10,520,253)                             | 7.919%                      | (378,188)          | (833,058)           | 454,871                                     |
| 5     | KNGP                       | (455,895)  | 0.79%                               | (1,004,230)                              | 12.123%                     | (55,270)           | (121,748)           | 66,477                                      |
| 6     | OPCo                       | (15,305,203)                                       | 26.54%                              | (33,713,769)                             | 11.486%                     | (1,757,897)        | (3,872,235)         | 2,114,338                                   |
| 7     | WPCo                       | (923,113)  | 1.60%                               | (2,033,401)                              | 2.686%                      | (24,793)           | (54,613)            | 29,820                                      |
| 8     | <b>Sum of Lines 2 to 7</b> | <b>(57,673,647)</b>                                |                                     | <b>(127,041,505)</b>                     |                             | <b>(4,839,561)</b> | <b>(10,660,416)</b> | <b>5,820,855</b>                            |

**Detail of Actual PBOP Expenses to be Removed in Cost of Service**

|  | APCo         | I&M          | KPCo        | KNGSPT    | OPCo         | WPCo      | AEP East Total |
|--|--------------|--------------|-------------|-----------|--------------|-----------|----------------|
| 9 Direct Charged PBOP Expense per Actuarial Report                   | (16,451,990) | (12,482,067) | (3,951,629) | (344,539) | (11,517,600) | (427,831) | (45,175,656)   |
| 10 Additional PBOP Ledger Entries (from Company Records)             | 460,632      | 518,852      | 427,533     |           |              | (385,001) |                |
| 11 Medicare Subsidy  |              |              |             |           |              |           | -              |
| 12 Net Company Expense (Ln 9 + Ln 10 + Ln 11)                        | (15,991,358) | (11,963,215) | (3,524,096) | (344,539) | (11,517,600) | (812,832) | (44,153,640)   |
| 13 PBOP Expenses From AEP Service Corporation (from Company Records) | (5,251,875)  | (3,007,058)  | (1,251,834) | (111,356) | (3,787,603)  | (110,281) | (13,520,007)   |
| 14 Company PBOP Expense (Ln 12 + Ln 13)                              | (21,243,233) | (14,970,273) | (4,775,930) | (455,895) | (15,305,203) | (923,113) | (57,673,647)   |

For the rate year 2017 and adjusted every four years thereafter, using the annual actuarial report produced for that year, filed as part of the informational filing, Worksheet O will be used to adjust PBOP costs for the next four years (i.e. 2017, 2018, 2019, 2020). If the annual actuarial report projects PBOP costs during the next four years, taken together with the then current cumulative PBOP cost/allowance position, will, absent a change in the PBOP allowance, cause the AEP Companies to over or under collect their cumulative PBOP costs by more than 20% of the projected next four year's total cost, the PBOP allowance shall be adjusted. Worksheet O will be used in the process of updating the PBOP allowance determining (a) the level of cumulative over or under collections during the period since the PBOP allowance was last set, including carrying costs based on the weighted average cost of capital ("WACC") each year from the actual formula rate; (b) the cumulative net present value of projected PBOP costs during the next four years, as estimated by the then current actuarial report, assuming a discount rate equal to the actual formula rate weighted average cost of capital for the prior calendar year; and (c) the cumulative net present value of continued collections over the next four years based on the then effective PBOP allowance, assuming a discount rate equal to the prior year WACC. If the absolute value of (a)+(b)-(c) exceeds 20% of (b), then the PBOP allowance used in the formula rate calculation shall be changed to the value that will cause the projected result (a)+(b)-(c) to equal zero. If the projected over or under collection during the next four years will be less than 20% of (b), then the PBOP allowacance will continue in effect for the next four years at the then effective rate. If it is determined through this procedure AEP Companies will over-recover or under-recover actual PBOP expenses by more than 20% over the subsequent four-year period, AEP shall make a filing under FPA Section 205 to change the PBOP expense stated in the formula rate shown on Worksheet O. No other changes to the formula rate may be included in that filing.

AEP EAST COMPANIES  
Worksheet - P CALCULATION OF  
TOTAL WEIGHTED AVERAGE DEPRECIATION RATES  
FOR TRANSMISSION PLANT PROPERTY ACCOUNT  
EFFECTIVE AS OF 3/6/2019  
FOR MULTIPLE JURISDICTION COMPANIES  
Appalachian Power Company

|                               | VIRGINIA              |                 |                          |                             | WEST VIRGINIA                         |                          |                             | FERC WHOLESALE       |                          |                             | FERC KINGSPORT       |                          |                             | COMPANY                     |
|-------------------------------|-----------------------|-----------------|--------------------------|-----------------------------|---------------------------------------|--------------------------|-----------------------------|----------------------|--------------------------|-----------------------------|----------------------|--------------------------|-----------------------------|-----------------------------|
|                               | (1)<br>PLANT<br>ACCT. | VA SCC<br>RATES | ALLOCATION<br>FACTOR (5) | WTD AVG.<br>DEPREC.<br>RATE | (2)<br>PSC OF WV<br>APPROVED<br>RATES | ALLOCATION<br>FACTOR (5) | WTD AVG.<br>DEPREC.<br>RATE | (3)<br>FERC<br>RATES | ALLOCATION<br>FACTOR (5) | WTD AVG.<br>DEPREC.<br>RATE | (4)<br>FERC<br>RATES | ALLOCATION<br>FACTOR (5) | WTD AVG.<br>DEPREC.<br>RATE | WTD AVG.<br>DEPREC.<br>RATE |
| <b>TRANSMISSION PLANT</b>     |                       |                 |                          |                             |                                       |                          |                             |                      |                          |                             |                      |                          |                             |                             |
| Land Rights - Va.             | 350.1                 | 0.66%           | 1.000000                 | 0.66%                       |                                       |                          |                             |                      |                          |                             |                      |                          |                             | 0.66%                       |
| Energy Storage Equip          | 351.0                 |                 |                          |                             | 14.22%                                | 1.000000                 | 14.22%                      |                      |                          |                             |                      |                          |                             | 14.22%                      |
| Structures & Improvements     | 352.0                 | 1.55%           | 0.492648                 | 0.76%                       | 1.62%                                 | 0.414603                 | 0.67%                       | 2.19%                | 0.033874                 | 0.07%                       | 2.19%                | 0.058874                 | 0.13%                       | 1.63%                       |
| Station Equipment             | 353.0                 | 1.95%           | 0.492648                 | 0.96%                       | 2.37%                                 | 0.414603                 | 0.98%                       | 2.19%                | 0.033874                 | 0.07%                       | 2.19%                | 0.058874                 | 0.13%                       | 2.14%                       |
| Towers & Fixtures             | 354.0                 | 1.14%           | 0.492648                 | 0.56%                       | 1.59%                                 | 0.414603                 | 0.66%                       | 2.19%                | 0.033874                 | 0.07%                       | 2.19%                | 0.058874                 | 0.13%                       | 1.42%                       |
| Poles & Fixtures              | 355.0                 | 2.77%           | 0.492648                 | 1.36%                       | 2.71%                                 | 0.414603                 | 1.12%                       | 2.19%                | 0.033874                 | 0.07%                       | 2.19%                | 0.058874                 | 0.13%                       | 2.68%                       |
| Overhead Conductor            | 356.0                 | 1.01%           | 0.492648                 | 0.50%                       | 1.53%                                 | 0.414603                 | 0.63%                       | 2.19%                | 0.033874                 | 0.07%                       | 2.19%                | 0.058874                 | 0.13%                       | 1.33%                       |
| Underground Conduit           | 351.0                 | 1.23%           | 0.492648                 | 0.61%                       | 3.71%                                 | 0.414603                 | 1.54%                       | 2.19%                | 0.033874                 | 0.07%                       | 2.19%                | 0.058874                 | 0.13%                       | 2.35%                       |
| Underground Conductors        | 351.0                 | 3.18%           | 0.492648                 | 1.57%                       | 5.24%                                 | 0.414603                 | 2.17%                       | 2.19%                | 0.033874                 | 0.07%                       | 2.19%                | 0.058874                 | 0.13%                       | 3.94%                       |
| <b>GENERAL PLANT</b>          |                       |                 |                          |                             |                                       |                          |                             |                      |                          |                             |                      |                          |                             |                             |
| Structures & Improvements     | 390.0                 | 1.50%           | 0.519557                 | 0.78%                       | 1.91%                                 | 0.425935                 | 0.81%                       | 3.43%                | 0.019780                 | 0.07%                       | 3.43%                | 0.034728                 | 0.12%                       | 1.78%                       |
| Office Furniture & Equipment  | 391.0                 | 2.78%           | 0.519557                 | 1.44%                       | 3.17%                                 | 0.425935                 | 1.35%                       | 3.43%                | 0.019780                 | 0.07%                       | 3.43%                | 0.034728                 | 0.12%                       | 2.98%                       |
| Transportation Equipment      | 392.0                 | 0.00%           | 0.519557                 | 0.00%                       | 3.40%                                 | 0.425935                 | 1.45%                       | 3.43%                | 0.019780                 | 0.07%                       | 3.43%                | 0.034728                 | 0.12%                       | 1.64%                       |
| Stores Equipment              | 393.0                 | 1.60%           | 0.519557                 | 0.83%                       | 1.80%                                 | 0.425935                 | 0.77%                       | 3.43%                | 0.019780                 | 0.07%                       | 3.43%                | 0.034728                 | 0.12%                       | 1.79%                       |
| Tools Shop & Garage Equipment | 394.0                 | 2.07%           | 0.519557                 | 1.08%                       | 2.57%                                 | 0.425935                 | 1.09%                       | 3.43%                | 0.019780                 | 0.07%                       | 3.43%                | 0.034728                 | 0.12%                       | 2.36%                       |
| Laboratory Equipment          | 395.0                 | 1.53%           | 0.519557                 | 0.79%                       | 4.01%                                 | 0.425935                 | 1.71%                       | 3.43%                | 0.019780                 | 0.07%                       | 3.43%                | 0.034728                 | 0.12%                       | 2.69%                       |
| Power Operated Equipment      | 396.0                 | 0.00%           | 0.519557                 | 0.00%                       | 3.90%                                 | 0.425935                 | 1.66%                       | 3.43%                | 0.019780                 | 0.07%                       | 3.43%                | 0.034728                 | 0.12%                       | 1.85%                       |
| Communication Equipment       | 397.0                 | 3.27%           | 0.519557                 | 1.70%                       | 4.98%                                 | 0.425935                 | 2.12%                       | 3.43%                | 0.019780                 | 0.07%                       | 3.43%                | 0.034728                 | 0.12%                       | 4.01%                       |
| Miscellaneous Equipment       | 398.0                 | 2.51%           | 0.519557                 | 1.30%                       | 2.70%                                 | 0.425935                 | 1.15%                       | 3.43%                | 0.019780                 | 0.07%                       | 3.43%                | 0.034728                 | 0.12%                       | 2.64%                       |

(1) As approved in VA Case No. PUE 2011-00037 on Nov. 30, 2011.  
Depreciation rates were made effective on January 1, 2012.

(2) Approved by PSC of WV Order dated May 26, 2015 in  
Case No. 14-1151-E-D effective June 1, 2015.

(3) Approved by FERC March 2, 1990 in Docket ER90-132.

(4) Approved by FERC March 2, 1990 in Docket ER90-133.

(5) Transmission allocation factors are changed annually in January based on  
September factors as per the PJM tariff approved in FERC Docket ER08-1329  
Attachment H-14B, Part II, pg. 15 of 21.

(6) Energy Storage Equipment is a new account established per FERC Order 784.

**GENERAL NOTES:**

The rates for each AEP company have been approved by their respective regulatory commissions. APCo falls under the authority of Virginia, West Virginia and the FERC. Therefore, APCo's rates are a composite of the jurisdictions under which it operates. Each jurisdiction's rate is multiplied by an allocation factor, and the product for each jurisdiction is added with the other jurisdictions to derive the composite rate for the company. AEP will make a 205 filing whenever a company's rates are changed by their commission(s), or if the methodology to calculate the jurisdictional allocator in multiple-state companies changes. Changes in the allocation factors will not necessitate a 205 filing.

AEP EAST COMPANIES  
Worksheet - P CALCULATION OF  
TOTAL WEIGHTED AVERAGE DEPRECIATION RATES  
FOR TRANSMISSION PLANT PROPERTY ACCOUNT  
EFFECTIVE AS OF October 31, 2018  
FOR MULTIPLE JURISDICTION COMPANIES  
INDIANA MICHIGAN POWER COMPANY

|                           | INDIANA    |                       |              |                     | MICHIGAN              |              |            | FERC WHOLESALE        |              |              | COMPANY      |
|---------------------------|------------|-----------------------|--------------|---------------------|-----------------------|--------------|------------|-----------------------|--------------|--------------|--------------|
|                           | (1)        |                       |              | WTD AVG.            | (2)                   |              | WTD AVG.   | (3)                   |              | WTD AVG.     | WTD AVG.     |
| PLANT ACCT.               | IURC RATES | ALLOCATION FACTOR (4) | DEPREC. RATE | MPSC APPROVED RATES | ALLOCATION FACTOR (4) | DEPREC. RATE | FERC RATES | ALLOCATION FACTOR (4) | DEPREC. RATE | DEPREC. RATE | DEPREC. RATE |
| <b>TRANSMISSION PLANT</b> |            |                       |              |                     |                       |              |            |                       |              |              |              |
| Land Improvements         | 350.1      | 1.4800%               | 0.652103     | 0.9651%             | 1.4400%               | 0.144206     | 0.2077%    | 1.4400%               | 0.203691     | 0.2933%      | 1.47%        |
| Structures & Improvements | 352.0      | 1.5500%               | 0.652103     | 1.0108%             | 1.5000%               | 0.144206     | 0.2163%    | 1.5000%               | 0.203691     | 0.3055%      | 1.53%        |
| Station Equipment         | 353.0      | 1.8600%               | 0.652103     | 1.2129%             | 1.8400%               | 0.144206     | 0.2653%    | 1.8400%               | 0.203691     | 0.3748%      | 1.85%        |
| Towers & Fixtures         | 354.0      | 1.6900%               | 0.652103     | 1.1021%             | 1.5700%               | 0.144206     | 0.2264%    | 1.5700%               | 0.203691     | 0.3198%      | 1.65%        |
| Poles & Fixtures          | 355.0      | 2.8500%               | 0.652103     | 1.8585%             | 2.8300%               | 0.144206     | 0.4081%    | 2.8300%               | 0.203691     | 0.5764%      | 2.84%        |
| Overhead Conductors       | 356.0      | 1.9700%               | 0.652103     | 1.2846%             | 1.8900%               | 0.144206     | 0.2725%    | 1.8900%               | 0.203691     | 0.3850%      | 1.94%        |
| Underground Conduit       | 357.0      | 1.8600%               | 0.652103     | 1.2129%             | 1.7700%               | 0.144206     | 0.2552%    | 1.7700%               | 0.203691     | 0.3605%      | 1.83%        |
| Underground Conductors    | 358.0      | 1.7000%               | 0.652103     | 1.1086%             | 1.6600%               | 0.144206     | 0.2394%    | 1.6600%               | 0.203691     | 0.3381%      | 1.69%        |
| Trails & Roads            | 359.0      | 1.5000%               | 0.652103     | 0.9782%             | 1.4800%               | 0.144206     | 0.2134%    | 1.4800%               | 0.203691     | 0.3015%      | 1.49%        |

(1) As approved in Indiana Case No. 44967.

(2) As approved in MICHIGAN Case No. U18370.

(3) FERC wholesale formula rate agreements specify that the depreciation rates in the formula rates change upon approval of MPSC rates in the Michigan jurisdiction.

(4) The rates approved for each jurisdiction are updated when approved by that commission. These demand-based allocation factors for all jurisdictions are updated when new rates are approved in one of the jurisdictions. These allocation factors reflect I&M's 12 monthly Coincident Peaks during test year of the most recent rate case.

**GENERAL NOTES:**

The rates for each AEP company have been approved by their respective regulatory commissions.

I&M falls under the authority of Indiana, Michigan and the FERC. Therefore, I&M's rates are a composite of the jurisdictions under which it operates. Each jurisdiction's rate is multiplied by an allocation factor, and the product for each jurisdiction is added with the other jurisdictions to derive the composite rate for the company.

AEP will make a 205 filing whenever a company's rates are changed by their commission(s), or if the methodology to calculate the jurisdictional allocator in multiple-state companies changes. Changes in the allocation factors will not necessitate a 205 filing.

AEP EAST COMPANIES  
PJM FORMULA RATE  
WORKSHEET P - TRANSMISSION DEPRECIATION RATES  
EFFECTIVE AS OF 09/1/2016  
FOR SINGLE JURISDICTION COMPANIES  
KINGSPORT POWER COMPANY

|   | <b>PLANT<br/>ACCT.</b> | <b>RATES</b><br>Note 1 |
|---|------------------------|------------------------|
| <hr/> <b>TRANSMISSION PLANT</b> <hr/>           |                        |                        |
| Structures & Improvements                       | 352.0                  | 1.04%                  |
| Station Equipment                               | 353.0                  | 1.49%                  |
| Towers & Fixtures                               | 354.0                  | 0.12%                  |
| Poles & Fixtures                                | 355.0                  | 2.14%                  |
| Overhead Conductors                             | 356.0                  | 0.77%                  |
| Underground Conduit                             | 357.0                  | Note 2                 |
| Underground Conductors                          | 358.0                  | Note 2                 |
| <b>Composite Transmission Depreciation Rate</b> |                        | <b>1.46%</b>           |
| <br><b>GENERAL PLANT</b>                        |                        |                        |
| Structures & Improvements                       | 390.0                  | 1.71%                  |
| Office Furniture & Equipment                    | 391.0                  | 2.82%                  |
| Stores Equipment                                | 393.0                  | 2.22%                  |
| Tools Shop & Garage Equipment                   | 394.0                  | 3.12%                  |
| Laboratory Equipment                            | 395.0                  | 3.17%                  |
| Communication Equipment                         | 397.0                  | 3.32%                  |
| Miscellaneous Equipment                         | 398.0                  | 4.92%                  |
| <b>Total General Plant</b>                      |                        | <b>3.25%</b>           |

Reference:

Note 1: Rates Approved In Tennessee Regulatory Authority Docket No. 16-00001.

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Note 2: Kingsport Power Company does not have investment in plant accounts 357 or 358. Therefore, there are no depreciation rates approved

**General Note**

AEP will make a 205 filing whenever a company's rates are changed by their commission(s), or if the methodology to calculate the jurisdictional allocator in multiple-state companies changes. Changes in the allocation factors will not necessitate a 205 filing.

AEP EAST COMPANIES  
PJM FORMULA RATE  
WORKSHEET P - TRANSMISSION DEPRECIATION RATES  
EFFECTIVE AS OF 07/1/2015  
FOR SINGLE JURISDICTION COMPANIES  
KENTUCKY POWER COMPANY

|                                 | <b>PLANT<br/>ACCT.</b> | <b>RATES<br/>Note 1</b> |
|---------------------------------|------------------------|-------------------------|
| <hr/> <b>TRANSMISSION PLANT</b> |                        |                         |
| Land Rights                     | 350.1                  | 1.44%                   |
| Structures & Improvements       | 352.0                  | 2.08%                   |
| Station Equipment               | 353.0                  | 2.15%                   |
| Towers & Fixtures               | 354.0                  | 2.61%                   |
| Poles & Fixtures                | 355.0                  | 3.95%                   |
| Overhead Conductors             | 356.0                  | 2.91%                   |
| Underground Conduit             | 357.0                  | 2.99%                   |
| Underground Conductors          | 358.0                  | 2.62%                   |

Reference:

Note 1: Rates Approved in KPSC Case No. 2014-00396.

**General Note**

AEP will make a 205 filing whenever a company's rates are changed by their commission(s), or if the methodology to calculate the jurisdictional allocator in multiple-state companies changes. Changes in the allocation factors will not necessitate a 205 filing.

AEP EAST COMPANIES  
PJM FORMULA RATE  
WORKSHEET P - TRANSMISSION DEPRECIATION RATES  
EFFECTIVE AS OF 1/1/2012  
FOR SINGLE JURISDICTION COMPANIES  
OHIO POWER COMPANY

|                                    | <b>PLANT<br/>ACCT.</b> | <b>RATES<br/>Note 1</b> |
|------------------------------------|------------------------|-------------------------|
| <b><i>TRANSMISSION PLANT</i></b>   |                        |                         |
| Structures & Improvements          | 352.0                  | 2.02%                   |
| Station Equipment                  | 353.0                  | 2.29%                   |
|                                    |                        |                         |
| Twrs and Fixtures Above 69 KV      | 354.0                  | 1.88%                   |
| Twrs and Fixtures Below 69 KV      | 354.0                  | 1.88%                   |
|                                    |                        |                         |
| Poles and Fixtures Above 69 KV     | 355.0                  | 3.52%                   |
| Poles and Fixtures Below 69 KV     | 355.0                  | 3.52%                   |
|                                    |                        |                         |
| Overhead Conductor & Devices Above | 356.0                  | 1.91%                   |
| Overhead Conductor & Devices MSP   | 356.0                  | 1.91%                   |
| Overhead Conductor & Devices 138KV | 356.0                  | 1.91%                   |
| Overhead Conductor & Devices 69KV, | 356.0                  | 1.91%                   |
| Overhead Conductor & Devices CLR ( | 356.0                  | 1.91%                   |
|                                    |                        |                         |
| Underground Conduit                | 357.0                  | 2.26%                   |
| Underground Conductors             | 358.0                  | 3.27%                   |

Reference:

Note 1: These are the weighted average of the depreciation rates in effect for Columbus Southern Power and Ohio Power prior to the merger of Columbus Southern into Ohio Power.

**General Note:**

AEP will make a 205 filing whenever a company's rates are changed by their commission(s), or if the methodology to calculate the jurisdictional allocator in multiple-state companies changes. Changes in the allocation factors will not necessitate a 205 filing.

AEP EAST COMPANIES  
PJM FORMULA RATE  
WORKSHEET P - TRANSMISSION DEPRECIATION RATES  
EFFECTIVE AS OF 3/6/2019  
FOR SINGLE JURISDICTION COMPANIES  
WHEELING POWER COMPANY

|                                  | PLANT<br>ACCT. | RATES<br>Note 1 |
|----------------------------------|----------------|-----------------|
| <b><i>TRANSMISSION PLANT</i></b> |                |                 |
| Structures & Improvements        | 352.0          | 1.15%           |
| Station Equipment                | 353.0          | 2.22%           |
| Towers & Fixtures                | 354.0          | 2.65%           |
| Poles & Fixtures                 | 355.0          | 2.41%           |
| Overhead Conductors              | 356.0          | 1.32%           |
| Underground Conduit              | 351.0          | 9.94%           |
| Underground Conductors           | 351.0          | 13.98%          |
| Trails & Roads                   | 359.0          | -               |
| <b><i>GENERAL PLANT</i></b>      |                |                 |
| Structures & Improvements        | 390.0          | 1.08%           |
| Office Furniture & Equipment     | 391.0          | 2.13%           |
| Stores Equipment                 | 393.0          | 1.78%           |
| Tools Shop & Garage Equipment    | 394.0          | 1.65%           |
| Communication Equipment          | 397.0          | 5.09%           |
| Miscellaneous Equipment          | 398.0          | 2.76%           |

Note 1: Rates Approved in WV Public Service Commission Case No. 14-1151-E-D.

**General Note:**

AEP will make a 205 filing whenever a company's rates are changed by their commission(s), or if the methodology to calculate the jurisdictional allocator in multiple-state companies changes. Changes in the allocation factors will not necessitate a 205 filing.

**AEP East Companies**  
**Cost of Service Formula Rate Using Actual/Projected FF1 Balances**  
**Worksheet Q - True-up With Interest**

|  |   |  |   |  |
|--|---|--|---|--|
| Reconciliation Revenue Requirement For<br>Year 2018 Available May 25, 2019 | - | 2018 Forecasted Revenue<br>Requirement For Year 2018 | = | True-up Adjustment -<br>Over (Under)<br>Recovery |
| \$58,108,015   |   | \$56,019,802   |   | (\$2,088,213)                                    |

| Interest Rate on Amount of Refunds or Surcharges<br>from 35.19a | Over (Under) Recovery Plus<br>Interest | Average Monthly<br>Interest Rate | Months | Calculated Interest | Amortization | Surcharge (Refund)<br>Owed |
|---|--|----------------------------------|--------|---------------------|--------------|----------------------------|
|   |  | 0.4095%                          |        |                     |              |                            |

An over or under collection will be recovered prorata over 2018, held for 2019 and returned prorata over 2020

| <u>Calculation of Interest</u>  |           |             |         |    | <u>Monthly</u> |             |
|---|-----------|-------------|---------|----|----------------|-------------|
| January   | Year 2018 | (174,018)   | 0.4095% | 12 | 8,551          | 182,569     |
| February  | Year 2018 | (174,018)   | 0.4095% | 11 | 7,839          | 181,856     |
| March   | Year 2018 | (174,018)   | 0.4095% | 10 | 7,126          | 181,144     |
| April   | Year 2018 | (174,018)   | 0.4095% | 9  | 6,413          | 180,431     |
| May   | Year 2018 | (174,018)   | 0.4095% | 8  | 5,701          | 179,719     |
| June  | Year 2018 | (174,018)   | 0.4095% | 7  | 4,988          | 179,006     |
| July  | Year 2018 | (174,018)   | 0.4095% | 6  | 4,276          | 178,293     |
| August  | Year 2018 | (174,018)   | 0.4095% | 5  | 3,563          | 177,581     |
| September   | Year 2018 | (174,018)   | 0.4095% | 4  | 2,850          | 176,868     |
| October   | Year 2018 | (174,018)   | 0.4095% | 3  | 2,138          | 176,156     |
| November  | Year 2018 | (174,018)   | 0.4095% | 2  | 1,425          | 175,443     |
| December  | Year 2018 | (174,018)   | 0.4095% | 1  | 713            | 174,730     |
|   |           |             |         |    | 55,583         | 2,143,796   |
| <b>Annual</b>   |           |             |         |    |                |             |
| January through December  | Year 2019 | 2,143,796   | 0.4095% | 12 | 105,346        | 2,249,142   |
| <b>Over (Under) Recovery Plus Interest Amortized and Recovered Over 12 Months</b> |           |             |         |    |                |             |
| <b>Monthly</b>  |           |             |         |    |                |             |
| January   | Year 2020 | (2,249,142) | 0.4095% |    | 9,210          | (192,455)   |
| February  | Year 2020 | (2,065,898) | 0.4095% |    | 8,460          | (192,455)   |
| March   | Year 2020 | (1,881,903) | 0.4095% |    | 7,706          | (192,455)   |
| April   | Year 2020 | (1,697,154) | 0.4095% |    | 6,950          | (192,455)   |
| May   | Year 2020 | (1,511,649) | 0.4095% |    | 6,190          | (192,455)   |
| June  | Year 2020 | (1,325,385) | 0.4095% |    | 5,427          | (192,455)   |
| July  | Year 2020 | (1,138,358) | 0.4095% |    | 4,662          | (192,455)   |
| August  | Year 2020 | (950,564)   | 0.4095% |    | 3,893          | (192,455)   |
| September   | Year 2020 | (762,002)   | 0.4095% |    | 3,120          | (192,455)   |
| October   | Year 2020 | (572,668)   | 0.4095% |    | 2,345          | (192,455)   |
| November  | Year 2020 | (382,558)   | 0.4095% |    | 1,567          | (192,455)   |
| December  | Year 2020 | (191,670)   | 0.4095% |    | 785            | (192,455)   |
|   |           |             |         |    | 60,315         | 0           |
| True-Up Adjustment with Interest  |           |             |         |    |                | 2,309,457   |
| Less Over (Under) Recovery  |           |             |         |    |                | (2,088,213) |
| Total Interest  |           |             |         |    |                | 221,244     |

Note 1: The interest rate to be applied to the over recovery or under recovery amounts will be determined using the average monthly FERC interest rate (as determined pursuant to 18 C.F.R. Section 35.19a) for the twenty (20) months from the beginning of the rate year being trued-up through August 31 of the following year.

**AEP East Companies**  
**Cost of Service Formula Rate Using Actual/Projected FF1 Balances**  
**Worksheet Q - True-up With Interest**

|  |   |  |   |   |
|--|---|--|---|---|
| Reconciliation Revenue Requirement For<br>Year 2018 Available May 25, 2019 | - | 2018 Forecasted Revenue<br>Requirement For Year 2018 | = | True-up Adjustment -<br>Over (Under) Recovery |
| \$305,039  |   | \$924,954  |   | \$619,915                                     |

| Interest Rate on Amount of Refunds or Surcharges<br>from 35.19a | Over (Under) Recovery Plus<br>Interest | Average Monthly<br>Interest Rate | Months | Calculated Interest | Amortization | Surcharge (Refund)<br>Owed |
|---|--|----------------------------------|--------|---------------------|--------------|----------------------------|
|---|--|----------------------------------|--------|---------------------|--------------|----------------------------|

An over or under collection will be recovered prorata over 2018, held for 2019 and returned prorata over 2020

| <u>Calculation of Interest</u>   |           |                |         | <u>Monthly</u> |          |           |
|----------------------------------|-----------|----------------|---------|----------------|----------|-----------|
| January                          | Year 2018 | 51,660         | 0.4095% | 12             | (2,539)  | (54,198)  |
| February                         | Year 2018 | 51,660         | 0.4095% | 11             | (2,327)  | (53,987)  |
| March                            | Year 2018 | 51,660         | 0.4095% | 10             | (2,115)  | (53,775)  |
| April                            | Year 2018 | 51,660         | 0.4095% | 9              | (1,904)  | (53,563)  |
| May                              | Year 2018 | 51,660         | 0.4095% | 8              | (1,692)  | (53,352)  |
| June                             | Year 2018 | 51,660         | 0.4095% | 7              | (1,481)  | (53,140)  |
| July                             | Year 2018 | 51,660         | 0.4095% | 6              | (1,269)  | (52,929)  |
| August                           | Year 2018 | 51,660         | 0.4095% | 5              | (1,058)  | (52,717)  |
| September                        | Year 2018 | 51,660         | 0.4095% | 4              | (846)    | (52,506)  |
| October                          | Year 2018 | 51,660         | 0.4095% | 3              | (635)    | (52,294)  |
| November                         | Year 2018 | 51,660         | 0.4095% | 2              | (423)    | (52,083)  |
| December                         | Year 2018 | 51,660         | 0.4095% | 1              | (212)    | (51,871)  |
|                                  |           |                |         |                | (16,501) | (636,416) |
|                                  |           |                |         | <u>Annual</u>  |          |           |
| January through December         | Year 2019 | (636,416)      | 0.4095% | 12             | (31,273) | (667,689) |
|                                  |           |                |         | <u>Monthly</u> |          |           |
| January                          | Year 2020 | <b>667,689</b> | 0.4095% |                | (2,734)  | (613,290) |
| February                         | Year 2020 | 613,290        | 0.4095% |                | (2,511)  | (558,669) |
| March                            | Year 2020 | 558,669        | 0.4095% |                | (2,288)  | (503,824) |
| April                            | Year 2020 | 503,824        | 0.4095% |                | (2,063)  | (448,754) |
| May                              | Year 2020 | 448,754        | 0.4095% |                | (1,838)  | (393,459) |
| June                             | Year 2020 | 393,459        | 0.4095% |                | (1,611)  | (337,937) |
| July                             | Year 2020 | 337,937        | 0.4095% |                | (1,384)  | (282,188) |
| August                           | Year 2020 | 282,188        | 0.4095% |                | (1,156)  | (226,211) |
| September                        | Year 2020 | 226,211        | 0.4095% |                | (926)    | (170,004) |
| October                          | Year 2020 | 170,004        | 0.4095% |                | (696)    | (113,568) |
| November                         | Year 2020 | 113,568        | 0.4095% |                | (465)    | (56,900)  |
| December                         | Year 2020 | 56,900         | 0.4095% |                | (233)    | (0)       |
|                                  |           |                |         |                | (17,905) |           |
| True-Up Adjustment with Interest |           |                |         |                |          | (685,594) |
| Less Over (Under) Recovery       |           |                |         |                |          | 619,915   |
| Total Interest                   |           |                |         |                |          | (65,679)  |

Note 1: The interest rate to be applied to the over recovery or under recovery amounts will be determined using the average monthly FERC interest rate (as determined pursuant to 18 C.F.R. Section 35.19a) for the twenty (20) months from the beginning of the rate year being trued-up through August 31 of the following year.